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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-19831

CURAFLEX Health Services, Inc.
(Exact name of registrant as specified in its charter)

112-11 C
PROCESSED BY
MAY 14 1992

Delaware	76-0169285
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9087 Arrow Route, Suite #280
Rancho Cucamonga, California 91730
(Address of principal executive offices) (zip code)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL
C3F

Registrant's telephone number, including area code: (714) 941-3430

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X (1) NO * (2)

* The Company's Form 8A Registration Statement under Section 12 of Securities Exchange Act of 1934 was declared effective on March 19, 1992.

The number of shares outstanding of the registrant's Common Stock, $.001 par value, as of March 31, 1992 was 7,580,347 shares.

BEST COPY AVAILABLE

CURAFLEX Health Services, Inc.
Consolidated Balance Sheets
(In thousands)

ASSETS	(Unaudited) March 31, 1992	December 31, 1991
Cash and cash equivalents	$29,400.7	$ 2,118.9
Accounts receivable (net)	16,549.3	14,448.5
Inventory	1,119.4	1,020.0
Prepaid expenses	696.2	596.6
Total current assets	47,765.6	18,184.0
Equipment, furniture and fixtures, (net)	2,269.1	2,058.4
Joint ventures and other assets	2,180.6	1,733.3
Total assets	$52,215.3	$21,975.7
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable	$ 1,811.0	$ 1,676.7
Accrued payroll	739.7	704.0
Other accrued liabilities	2,101.4	2,455.6
Current maturities of notes payable and obligations under capital leases (note 2)	400.3	6,155.8
Total current liabilities	5,052.4	10,992.1
Long-term notes payable and obligations under capital leases excluding current portion	91.7	104.2
Minority interest in consolidated joint ventures	108.8	56.3
Redeemable preferred stock (note 2):		
Series A preferred stock, par value $.001, authorized 2,781,860 shares; issued 2,721,954 in 1991	-	13,111.9
Series B preferred stock, par value $.001, authorized 707,673 shares; issued 629,674 in 1991	-	4,005.0
Series C preferred stock, par value $.001, authorized 325,000 shares; issued 296,627 in 1991	-	2,892.1
Common stockholders' equity (deficit) (note 2)		
Common stock, par value $.001, authorized 40,000,000 shares; issued 853,748 in 1991 and 7,580,347 in 1992	7.6	0.9
Additional paid-in capital	75,506.5	20,126.3
Accumulated deficit	(28,551.7)	(29,313.1)
Total common stockholders' equity (deficit)	46,962.4	(9,185.9)
Total liabilities and stockholders' equity (deficit)	$52,215.3	$21,975.7

See accompanying notes to the consolidated financial statements

CURAFLEX Health Services, Inc.
Consolidated Statements of Operations
(Unaudited)
(In thousands, except per share data)

	Three Months Ended March 31,	
	1992	1991
Net revenue	$12,454.0	$7,075.8
Cost of revenue	5,985.9	3,681.4
Gross margin	6,468.1	3,394.4
Selling, general and administrative expense	4,694.8	3,151.9
Provision for estimated uncollectable accounts receivable	687.5	330.5
Operating income (loss)	1,085.8	(88.0)
Interest income (expense) (net)	(125.2)	4.0
Minority interest in net (income) loss from consolidated joint ventures	(147.4)	34.0
Equity in net income (loss) of unconsolidated joint ventures	(19.2)	76.6
Income before taxes and extraordinary item	794.0	26.6
Provision for income taxes (note 3)	(332.6)	(11.0)
Income before extraordinary item	461.4	15.6
Extraordinary item, utilization of operating loss carryforwards (note 3)	300.0	11.0
Net income	$ 761.4	$ 26.6
Income per common shares (note 1):		
Income before extraordinary item	$ 0.08	$ 0.00
Extraordinary item	0.05	0.00
Net income per common share	$ 0.13	$ 0.00
Weighted average common and common equivalent shares outstanding	5,699,810	5,562,550

See accompanying notes to the consolidated financial statements

CURAFLEX Health Services, Inc.
Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	1992	1991
Cash flows from operating activites:		
Net income	$ 761.4	$ 26.6
Adjustments to reconcile net income to net cash used by operating activities:		
Provision for estimated uncollectable accounts receivable	687.5	330.5
Depreciation	140.4	102.4
Increase in receivables	(2,788.3)	(1,654.8)
Increase in inventory	(99.4)	(50.0)
(Increase) decrease in prepaids	(99.6)	75.0
Increase in other assets	(447.3)	(162.8)
Decrease in accounts payable and accrued liabilities	(184.2)	(1,104.6)
Net cash used by operating activities	(2,029.5)	(2,437.7)
Cash flows from investing activities:		
Purchase of equipment, furniture and fixtures	(351.1)	(276.3)
Minority interest in joint ventures	52.5	(53.7)
Net cash used by investing activities	(298.6)	(330.0)
Cash flows from financing activities:		
Repayment of notes payable and lease obligations	(7,018.0)	(46.5)
Borrowings under notes payable	1,250.0	1,064.0
Exercise of stock options	37.4	--
Sale of common stock, net of issuance cost	35,346.0	--
Issuance costs of preferred stock	(5.5)	(42.3)
Net cash provided by financing activities	29,609.9	975.2
Net increase (decrease) in cash and cash equivalents	27,281.8	(1,792.5)
Cash and cash equivalents at beginning of year	2,118.9	2,290.9
Cash and cash equivalents at end of year	$29,400.7	$ 498.4

See accompanying notes to consolidated financial statements

CURAFLEX Health Services, Inc.
Consolidated Statements of Cash Flows (continued)
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	1992	1991
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 175.1	$ 97.2
Income taxes	63.3	-
Supplemental schedule of non-cash financing activities:		
Conversion of preferred stock to common stock	$20,009.0	-

See accompanying notes to consolidated financial statements

(1) Operations and Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such regulations. The consolidated financial statements reflect all adjustments and disclosures which are, in the opinion of management, necessary for a fair presentation. All such adjustments are of a normal recurring nature. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes that are contained in the Company's initial Registration Statement on Form S-1 filed as of March 19, 1992. The results of operations for the interim periods are not necessarily indicative of the results of the full fiscal year.

Earnings per Share

Earnings per share are computed by dividing net income by the weighted average number of common and common equivalent shares outstanding.

Pursuant to Securities and Exchange Commission Staff Accounting Bulletin No. 83, common shares issued for consideration below the initial public offering price (the "IPO Price") and common stock equivalents granted or issued with exercise prices below the IPO Price during the 12-month period preceding the date of the initial filing of the Registration Statement have been included in the calculation of weighted average common and common equivalent shares, using the treasury stock method, as if they were outstanding for all periods presented.

The computations of the weighted average common and common equivalent shares outstanding follow:

	Three Months Ended March 31,	
	1992	1991
Weighted average number of common shares outstanding during the year	1,051,550	842,953
Incremental shares assumed to be outstanding pursuant to SEC Staff Accounting Bulletin No. 83:		
Assumed conversion of Series C preferred stock	-	342,262
Assumed exercise of stock options and warrants	51,198	285,992
Dilutive effect of assumed conversion of preferred stock and exercise of options and warrants	4,597,062	4,091,343
Weighted average number of common and common equivalent shares	5,699,810	5,562,550

(2) Initial Public Offering

On March 19, 1992 the Company completed its initial public offering of 3,000,000 common shares at $13.00 per share. Proceeds from the sale of the common stock, net of issuance cost, totalled $35,346,000. Upon the closing of the offering, all outstanding shares of preferred stock were converted to common stock. Following the completion of the Company's initial public offering, the Company on March 31, 1992 repaid its outstanding borrowings of $7,000,000 on the bank line of credit and terminated the agreement.

(3) Income Taxes

The provision for income taxes in the quarter ended March 31, 1992 consists of the following:

Federal - current	$270,000
State - current	62,600
Total provision	$332,600

The income tax provision for the quarter ended March 31, 1992 consists of charges in lieu of income taxes of $300,000 which would have been required to be paid in the absence of net operating loss carryforwards.

(4) Commitments and Contingencies

The Company has entered into a 10-year agreement to relocate its corporate offices. Commencement of the new lease is anticipated to begin July 1992. Future minimum lease payments in connection with this agreement for the years ending December 31 are as follows: 1992, $163,482; 1993, $344,964; 1994, $362,964; 1995, $471,853; 1996, $471,853; thereafter, $3,411,862.

(5) Subsequent Events

Subsequent to the end of the quarter, the underwriters for the Company's initial public offering exercised their over-allotment option for 450,000 shares. Following the exercise, the total common shares issued and outstanding were 8,030,347.

(6) Acquisitions

On May 8, 1992, the Company announced the signing of a Letter of Intent to acquire the assets of Home Health Depot, a regional infusion therapy provider located in Kansas City, Missouri. The acquisition is subject to certain conditions including the finalization of a definitive agreement.

CURAFLEX HEALTH SERVICES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Revenue for the three months ended March 31, 1992 increased by 76% over the same period for the prior year. This revenue increase resulted primarily from volume increases in infusion therapy at established service centers.

Gross margin as a percentage of revenue for the three months ended March 31, 1992 increased from 48.0% to 51.9% when compared to the same period for the prior year. Selling, general and administrative expenses, as a percentage of revenue for the three months ended March 31, 1992, decreased from 44.5% to 37.7%, when compared to the same period for the prior year. These changes principally represent operating efficiencies gained from increased sales volume.

Net interest expense for the three months ended March 31, 1992 increased by $129,000 to $125,000 as compared to the same period of the prior year. This increase resulted primarily from increased debt during the three months ended March 31, 1992 as compared to the same period of the prior year.

LIQUIDITY AND CAPITAL RESOURCES

The Company fully repaid its bank line of credit, $7.0 million at the time of the Company's initial public offering, with proceeds from the offering. The Company terminated this secured bank line of credit on March 31, 1992 and is in the process of arranging a new bank line of credit with more favorable terms.

During the quarter, the Company received $35.3 million in net proceeds from its initial public offering. An additional $5.4 million in net proceeds was received in April 1992 through the exercise of the underwriters' option. With the proceeds, the Company is purchasing high-grade debt securities. These high-grade investments and cash totalled $29.4 million at March 31, 1992. The Company believes it has sufficient liquidity and capital resources to meet its needs for the next 24 months.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable

ITEM 2. CHANGES IN SECURITIES

Consistent with the terms of the Company's Restated Certificate of Incorporation, all outstanding shares of the Company's Series A, Series B and Series C Stock were converted into Common Stock upon the closing of the Company's initial public offering on March 26, 1992.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

The annual meeting of shareholders of the Company was held on January 7, 1992.

The following individuals were elected as directors of the Company:

Class I Directors (Terms expire in 1995)
- Philip Green
- Charles Laverty
- James Yarter

Class II Directors (Terms expire in 1994)
- C. Sage Givens
- George Strong

Class III Directors (Terms expire in 1993)
- Laurie Thomsen
- Thomas McKinley

A proposal to approve the Company's Employee Stock Purchase Plan, as adopted by the Board of Directors, was approved by a vote of 521,919.7 shares of Common Stock and 2,701,608.8 shares of Preferred Stock, constituting 72% of the combined Common and Preferred Stock of the Company in favor with zero votes against.

During March of 1992, the Company's stockholders, acting by majority written consent, approved the Company's Directors Stock Option Plan. The number of share consenting was 546,263.3 shares of Common Stock and 2,852,881.9 shares of Preferred Stock, constituting 75% of the combined Common and Preferred shares of the Company.

ITEM 5. OTHER INFORMATION

Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

New corporate headquarters lease attached as Exhibit I.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CURAFLEX Health Services, Inc.

By: Charles A. Laverty

Charles A. Laverty
Chairman, Chief Executive Officer, and President
(Duly Authorized Officer)

Norman H. Werthwein

Norman H. Werthwein
Senior Vice President, Finance and Operations
(Chief Financial Officer)

Date: May 11, 1992

PART II OTHER INFORMATION

ITEM 6

EXHIBIT I

OFFICE BUILDING LEASE

between

ONTARIO LAKESHORE PARTNERS, L.P.
a California limited partnership

("Landlord")

and

CURAFLEX HEALTH SERVICES, INC.
a Delaware corporation

("Tenant")

March 27, 1992

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ONE LAKESHORE CENTRE
OFFICE BUILDING LEASE

This lease (this "Lease") between Ontario Lakeshore Partners, L.P., a California limited partnership ("Landlord") and Curaflex Health Services, Inc., a Delaware corporation ("Tenant"), is dated for reference purposes only, as of March 27, 1992.

A G R E E M E N T

1. LEASE OF PREMISES

In consideration of the Rent (as defined at Section 5) and the provisions of this Lease, Landlord leases to Tenant and Tenant leases from Landlord the Premises (defined below). The Premises are located within the Building (defined below) and Project (defined below). Tenant shall have the nonexclusive right (unless otherwise provided herein) in common with the Landlord, other tenants, subtenants and invitees, to use the Common Areas (defined below).

2. DEFINITIONS

As used in this Lease, the following terms shall have the following meanings:

2.1 Base Rent (Initial). $305,340.00 per year, based on 25,445 square feet of Rentable Area (defined in Section 2.12) at an initial rent of $1.00 per square foot per month, as further described in Article 5.

2.2 Commencement Date. The earliest of (a) the date Tenant begins conducting business operations from the Premises, or (b) the date Landlord delivers the entire Premises to Tenant with the Premises and the Tenant Improvements (as defined in Section 11) are Substantially Completed (as defined in Section 2.16). Landlord shall give Tenant not less than ten (10) business days' prior written notice of the date on which it will so deliver the Premises to Tenant. The Commencement Date is anticipated to be on or before the date that is three (3) months after the date hereof. Landlord and Tenant shall execute an amendment to this Lease, in that format attached as Exhibit "A," designating the actual Commencement Date. If, for any reason other than Tenant Delay (as defined in Section 2.16) or Force Majeure (as defined in Section 36) Landlord fails to deliver

the Premises to Tenant ready for Tenant's occupancy and the Commencement Date does not occur on or before four (4) months from Landlord's receipt of Tenant's approved construction plans (which Landlord agrees to cause to be prepared not more than two (2) weeks after Tenant's approval of the preliminary plans which have been submitted to Tenant for Tenant's review and approval), then Tenant shall be entitled to two (2) days' free Rent (at the rate in effect as of the Commencement Date) for each day after the end of such four (4) month period that Landlord fails so to deliver the Premises to Tenant. Except to the extent caused by Tenant Delay, if Landlord fails to deliver the Premises to Tenant ready for Tenant's occupancy and the Commencement Date does not occur on or before eight (8) months from Landlord's receipt of Tenant's approved improvement plans, Tenant may terminate this Lease by giving written notice thereof to Landlord.

2.3 Common Areas. The Building lobbies, common corridors and hallways, public restrooms, garage and parking areas, stairways, elevators, sidewalks, driveways and other generally understood public or common areas. Landlord shall have the right to regulate or restrict the use of the Common Areas.

2.4 Expense Stop. $5.75 per square foot of Rentable Area per year, or $146,308.75 per year based on 25,445 square feet of Rentable Area. The Expense Stop has been calculated as an amount equal to Tenant's Proportionate Share of Real Estate Taxes and Operating Expenses as reasonably estimated by Landlord for the 1992 calendar year on the basis of the Project as Fully Occupied (as all such capitalized terms are defined in Article 5).

2.5 Expiration Date. Ten (10) years from the Commencement Date, or such later date to which the Term hereof is extended or such earlier date as of which this Lease is terminated, in each case, in accordance with the provisions of this Lease.

2.6 Index. The Consumer Price Index for all Urban Consumers issued by the Bureau of Labor Statistics ("BLS") for the Los Angeles-Anaheim-Riverside, California area, 1982-1984 = 100, or if such index ceases to exist, such other index issued by the BLS or successor agency for the Riverside/San Bernardino area.

2.7 Mailing Addresses.

2.7.1 Landlord's Mailing Address.
9740 Scranton Road, Suite 350, San Diego, California 92121, Attn: Dennis Cruzan.

2.7.2 Tenant's Mailing Address. 9087 Arrow Route, Suite 280, Rancho Cucamonga, California 91730, Attn: Kevin Higgins.

2.8 Monthly Installments of Base Rent (Initial). $25,445.00 per month, based on 25,445 square feet of Rentable Area, at an initial rent of $1.00 per square foot.

2.9 Parking. Tenant shall be permitted to park four vehicles per 1,000 leased square feet of Usable Area of the Premises (or portion thereof) on a nonexclusive basis in the area(s) designated by Landlord for parking, which shall include one (1) parking space per 1,000 square feet of Usable Area (as defined in Section 2.12) of the Premises within the covered parking facility. The cost of such parking is included in the Base Rent. Tenant shall abide by any and all parking regulations and rules established from time to time by Landlord or Landlord's parking operator. Landlord reserves the right to separately charge Tenant's guests and visitors for parking.

2.10 Premises. 19,247 square feet of Rentable Area being all of the seventh floor of the Building, plus 6,198 square feet of Rentable Area on the sixth floor of the Building, for a total of 25,445 square feet of Rentable Area, as depicted on Exhibit "B."

2.11 Project. The eight-story office building consisting of approximately 149,883 square feet of Rentable Area of which the Premises are a part (the "Building"), and a two-story office building consisting of approximately 26,931 square feet of Rentable Area, and any other improvements on the real property (the "Property") located at One Lakeshore Centre, 3281 Guasti Road, Ontario, California 91764, and further described at Exhibit "C." The Project is commonly known as "One Lakeshore Centre."

2.12 Rentable and Usable Area. As to both the Premises and the Project, the respective measurements of floor area as may from time to time be subject to lease by Tenant and all tenants of the Project, respectively, shall be determined by Landlord's architect in accordance with BOMA standards. If Tenant increases the size of the Premises by leasing additional portions of the Building, prior to the commencement date of this Lease as to such additional portion of the Premises, Landlord shall notify Tenant, in writing, of the exact Rentable and Usable Area of the Premises, the Building and the Project, and such figures shall be subject to approval and verification by Tenant and its architect. The Rent, Excess Expenses and Tenant Improvement allowance payable pursuant to this Lease shall be adjusted accordingly.

2.13 Security Deposit. $25,445.00. See Section 28.

2.14 State. The State of California.

2.15 Substantial Completion. The term "Substantially Completed" shall mean: (a) Landlord has substantially completed all the work required to be performed by Landlord in accordance with Section 11 of this Lease, except punch-list items which shall thereafter be promptly completed; (b) Landlord has obtained a Certificate of Occupancy for the Building, or a Temporary Certificate of Occupancy for that portion of the Building that includes all of the Premises, and that portion of the Common Area necessary for Tenant's use and occupancy of the Premises; (c) Tenant has been provided with the number of parking spaces to which it is entitled under Section 2.9 of the Lease; (d) Tenant has continuous and uninterrupted access to the Premises; and (e) the elevators, systems and fixtures serving the Premises are in operation and in good working order.

2.16 Tenant's Delay. Tenant shall be responsible for any delay ("Tenant's Delay") in the commencement of or completion of the Tenant Improvements, and any increase in the cost of the Tenant Improvements, caused by (a) Tenant's requirements for the Tenant Improvements arising from delays caused by shortages or unavailability or extraordinary procurement time for non-building standard items (as defined in Exhibit "D") and movable wall partitions (with attached work stations); and (b) any delays, changes, additions or alterations caused or requested by Tenant pursuant to Section 5 of Exhibit "D."

2.17 Tenant's Proportionate Share. 14.28 percent, subject to adjustment as hereinafter described in this Section 2.17. Such share is computed on the basis of a fraction, the numerator of which is the Rentable Area of the Premises based on 25,445 square feet, and the denominator of which is the Rentable Area of the Project, as determined from time to time as provided in Section 2.12. The Project consists of two (2) buildings, with the Building containing a total Rentable Area of 149,833 square feet, and the Project containing a total Rentable Area of 176,764 square feet.

2.18 Tenant's Use Clause. The Premises are to be used for general office purposes only. See Article 8.

2.19 Term. The period commencing on the Commencement Date and expiring on midnight on the Expiration Date.

3. EXHIBITS AND ADDENDA.

The exhibits listed below are incorporated by reference in this Lease:

3.1 Exhibit "A". Commencement Date Amendment.

3.2 Exhibit "B". Floor Plan Showing the Premises.

3.3 Exhibit "C". Site Plan of the Project.

3.4 Exhibit "D". Work Letter Agreement.

3.5 Exhibit "E". Rules and Regulations.

3.6 Exhibit "F". Sign Criteria.

4. DELIVERY OF POSSESSION.

If for any reason Landlord does not deliver possession of the Premises to Tenant on the anticipated Commencement Date, Landlord shall not be subject to any liability for such failure, and the Expiration Date shall not change and the validity of this Lease shall not be impaired, but Rent shall be abated until delivery of possession. "Delivery of possession" shall be deemed to occur on the date Landlord Substantially Completes Landlord's work as defined in Sections 2.15 and 11. If Landlord permits Tenant to enter into possession of the Premises before the Commencement Date, such possession shall be subject to the provisions of this Lease, including, without limitation, the payment of Rent.

5. RENT.

5.1 Payment of Base Rent. Tenant agrees to pay the Base Rent for the Premises as follows:

Months 1 - 30	$1.00	per square foot of Rentable Area/month
Months 31 - 60	$1.30	per square foot of Rentable Area/month
Months 61 - 90	$1.60	per square foot of Rentable Area/month
Months 95 - 120	$1.90	per square foot of Rentable Area/month

Monthly installments of Base Rent shall be payable in advance on the first (1st) day of each calendar month of the Term. If the Term begins (or ends) on other than the first

(or last) day of a calendar month, the Base Rent for the partial month shall be prorated on a per diem basis and payable on the Commencement Date or the first day of the last month of the term, respectively. Tenant shall pay Landlord the first Monthly Installment of Base Rent when Tenant executes the Lease, which shall be applied to the first (1st) full month of the Lease Term.

5.2 Project Operating Costs.

5.2.1 Payment. Subject to the provisions of this Article 5, Tenant shall pay Landlord as Rent, an amount which will not exceed Tenant's Proportionate Share of all Real Estate Taxes and all Operating Expenses (as both such capitalized terms are defined below), actually incurred by Landlord and attributable to the Project and its operation in excess of the Expense Stop (such excess is hereinafter referred to as "Excess Expenses").

5.2.2 Real Estate Taxes. "Real Estate Taxes" shall mean and include: (a) all general and special taxes, assessments, duties and levies, if any, payable (adjusted after protest or litigation, if any) for any part of the term, excluding penalties or discounts, on the Project or the Building; (b) any taxes which shall be levied on the rentals of the Building or Project in lieu of any such Real Estate Taxes in whole or in part; and (c) the expenses of contesting the amount or validity of any such taxes, charges or assessments, such expense to be applicable to the period of the item contested. Excluded from Real Estate Taxes shall be the following: (a) federal or state income taxes and any other taxes based on Landlord's net income; and (b) franchise taxes, if any.

5.2.3 Operating Expenses. "Operating Expenses" shall mean all expenses reasonably paid or incurred by Landlord, or on Landlord's behalf, as normally incurred for a Class A building in the area in which the Building is located, in respect to the management, repair, operating and maintenance of the Project and Building, but only to the extent that such expenses relate to the Project and Building), including: (a) salaries, wages and benefits of employees of Landlord engaged in the management, repair, operating and maintenance of the Project and Building; (b) payroll taxes, workmen's compensation, uniforms and related expenses for such employees; (c) the cost of all charges for oil, gas, steam, electricity, any alternate source of energy, heat, ventilation, air-conditioning, water, sewers and other utilities furnished to the Premises, Project and Building (including the Common Areas and leased areas thereof), together with any taxes on such utilities;

(d) the cost of painting non-tenant space; (e) the cost of all charges for rent, casualty, liability and fidelity insurance (excluding earthquake insurance, unless required by Landlord's lender on the Project) with regard to the Project and Building and the maintenance or operation thereof; (f) the cost of all supplies (including cleaning supplies), tools, materials and equipment, the rental thereof and sales and other taxes thereon, which would not be capitalized in accordance with generally accepted accounting principles; (g) the cost of all charges for window and other cleaning, janitorial, and security services; (h) charges of independent contractors; (i) the costs of normal repairs and replacements made by Landlord at its expense, which would not be capitalized in accordance with generally accepted accounting principles; (j) exterior and interior landscaping; (k) alterations and improvements to the Building and Project made by reason of the laws and requirements of any public authorities or the requirements of insurance bodies that were not in effect as of the date hereof, which costs will be amortized over the useful life of the alteration or improvement or expensed in accordance with generally accepted accounting principles; (l) management fees, or if no managing agent is employed by Landlord, a sum in lieu thereof which is not in excess of the then prevailing rates for management fees of other Class A buildings in the area in which the Building is located; (m) any costs incurred by Landlord in making capital improvements or other modifications to the Project or any part thereof that reduce the Operating Expenses, which costs will be amortized over the useful life of such improvement or modification; provided, however, the annual amortization amount will not exceed the reduction in Operating Expenses as projected by Landlord's accountant for the relevant year, and the amortization schedule will be extended accordingly, if necessary; (n) reasonable legal, accounting and other professional fees normally incurred in connection with the operation, maintenance and management of the Project and Building, except as provided below; (o) any assessments charged to the Project by the Centrelake Owners' Association; and (p) all other charges reasonably incurred and properly allocable to the repair, operation and maintenance of the Building and Project which are not capital expenditures according to generally accepted accounting principles. If the Project is not fully occupied, Operating Expenses shall be adjusted at the expiration of each calendar year as if the Building and Project were fully occupied. "Fully Occupied" shall be defined as occupancy of ninety-five percent (95%) of the Rentable Area of the Project. Excluded from Operating Expenses shall be the following: (aa) depreciation (except as provided above); (bb) interest on and amortization of

debts; (cc) leasehold improvements including redecorating made for tenants of the Project; (dd) brokerage commissions and advertising expenses for procuring new tenants of the Project; (ee) refinancing costs; (ff) other costs of any repair or replacement, other than as described specifically herein, which would be required to be capitalized under generally accepted accounting principles, (gg) Real Estate Taxes; (hh) the cost of any item included in Operating Expenses under clauses (a) through (p) to the extent that such cost is reimbursed by an insurance company or a condemnor or a tenant (except as a reimbursement of Operating Expenses) or any other party, but if at the time Operating Expenses are determined for a calendar year such reimbursement has not been made, such expenses may be included in Operating Expenses and an adjustment shall be made when and if such reimbursement is actually received; (ii) the cost of correcting defects in the construction of the Project or in the building equipment, except that conditions (not occasioned by construction defects) resulting from ordinary wear and tear will not be deemed defects for the purposes of this category; (jj) the cost of any work or service performed for or facilities furnished to any tenant of the Project to a greater extent or in a manner more favorable to such tenant than that performed for or furnished to Tenant and expenses in connection with service or other benefits of a type which are not provided Tenant but which are provided to another tenant or occupant; (kk) leasing commissions, attorneys' fees, costs and disbursements and other expenses incurred in connection with negotiations or disputes with tenants or other occupants or prospective tenants or associated with the enforcement of any lease or the defense of Landlord's title to or interest in the Project or any part thereof; (ll) costs incurred due to violation by Landlord or any tenant of the terms and conditions of any lease; (mm) costs incurred in operating the parking or commercial facilities within the Project if proceeds received by Landlord relating to such parking of commercial facilities exceed such costs; (nn) costs necessary to comply with or as a result of violation of "hazardous substance laws" (as hereinafter defined); (oo) sums paid to Landlord or affiliates of Landlord, or to any party as a result of a non-competitive selection process, for any services, supplies, or other materials, to the extent that the costs of such services, supplies or materials exceed the market rates therefor; (pp) except as specifically provided herein, amounts allocable to Landlord's general overhead and administrative expenses that are not related exclusively to the management of the Building (it being understood and agreed that any payments not excluded under this clause (pp) are intended to be covered under clause (l) above); and (qq) any other expenses

that are not generally considered and treated as normal maintenance or operating expenses for Class A Buildings in the area in which the Project is located (including, but not limited to, depreciation or amortization (except as specifically hereinabove provided), financing costs, ground lease payments, and charitable contributions (other than payments in reasonable amounts to local business associations)). Total Real Estate Taxes and Operating Expenses charged to Tenant shall not exceed Tenant's Proportionate Share of total actual Project Real Estate Taxes and Operating Expenses respectively incurred by Landlord for the Project.

5.2.4 Limitation on Excess Expenses. For the purpose of calculation of Tenant's Excess Expenses in the event of any increase in Real Estate Taxes resulting from "change in ownership" (within the meaning of California Revenue and Taxation Code Sections 60-62 and any regulations thereunder) of the Building or the Project, Tenant's Proportionate Share of Real Estate Taxes payable as a result thereof shall not exceed the lesser of (a) Tenant's Proportionate Share of the actual increases in Real Estate Taxes resulting therefrom or attributable thereto, and (b) (i) the percentage increase of (A) the Index in the year as to which Real Estate Taxes are to be calculated and the month in which the reassessment first occurred over (B) the Index as of the month in which this Lease was entered into multiplied by (ii) Tenant's Proportionate Share of Real Estate Taxes in the month immediately prior to the first such reassessment. To the extent assessments are made for improvements which would benefit the Building (other than assessments specifically identified and disclosed in writing by Landlord to Tenant prior to the date hereof), including assessments for street and sidewalk improvements, sewers, storm drains, street trees and street lighting: (i) if under the laws then in force such assessments may be evidenced by improvement or other bonds or paid in annual installments, Landlord shall cause such improvement or other bonds to be paid at the maximum number of annual installments, and in such event Tenant shall pay its Proportionate Share of each installment accruing during the Term; and (ii) if such assessments must be paid by Landlord in a lump sum, such assessments shall be prorated over the useful life calculated in years (as determined by reference to relevant Internal Revenue Code depreciation tables) of such improvements by dividing such useful life into the total amount of the assessment for such improvement, and the quotient thereof plus interest on the unpaid balance at eight percent (8%) per annum shall be deemed to be the average yearly cost of such improvements, and Tenant shall pay its Proportionate Share of each such average yearly cost of such improvements accruing during the Term.

5.2.5 Method of Payment. In order to provide for current payments on account of Excess Expenses Tenant shall, at Landlord's request, pay as additional rent, an amount equal to Tenant's Proportionate Share of the Excess Expenses due for the ensuing twelve (12) months, as estimated by Landlord from time to time, in twelve (12) equal monthly installments, commencing on the first day of the month following the month in which Landlord notifies Tenant of the amount. It is the intention hereunder to estimate the amount of the Excess Expenses for each calendar year and then to adjust such estimate in the following year based on the actual Excess Expenses incurred or paid by Landlord. On or before March 1 of each calendar year (or as soon thereafter as is practical), Landlord or the building manager shall deliver to Tenant a reasonably detailed statement, certified by Landlord, of Tenant's Proportionate Share of the Excess Expenses for the preceding calendar year. If Tenant's Proportionate Share of the actual Excess Expenses for the previous calendar year exceeds the aggregate of the estimated monthly payments made by Tenant for such year, Tenant shall within fifteen (15) days of receipt of the statement, tender to Landlord an amount equal to such excess as additional rent. If such aggregate of the estimated monthly payments exceeds Tenant's Proportionate Share of the actual Excess Expenses for such calendar year, then Landlord shall credit against Tenant's next ensuing monthly installment or installments of the Base Rent an amount equal to such difference until the credit is exhausted. When a credit is due from Landlord on the Termination Date, Tenant shall be entitled to receive the amount of the credit in the form of payment from Landlord, provided, however, that Landlord may, in lieu of such payments, apply the credit against any Rent which is due but not paid on said date. No interest or penalties shall accrue on any amounts which Landlord is obliged to credit or pay to Tenant. The obligations of Tenant and Landlord to make payments or credits required hereunder shall survive the Termination Date. Each statement given by Landlord or the Building Manager pursuant to this Lease shall be conclusive and binding upon Landlord and upon Tenant, unless, in Tenant's case, within sixty (60) days after the receipt of such statement Tenant shall notify Landlord that it disputes the correctness of the statement, specifying the particular respects in which it is claimed to be incorrect. If such dispute shall not have been settled by agreement, then, pending the legal determination of such dispute by a later agreement or litigation, Tenant shall pay additional rent in accordance with such statement and such payment shall be without prejudice to Tenant's position. If the dispute shall be determined in Tenant's favor, Landlord shall forthwith credit Tenant with the amount of Tenant's

overpayment of additional rent resulting from compliance with Landlord's statement. Landlord shall grant Tenant reasonable access to Landlord's books and records for the purpose of verifying the Real Estate Taxes and Excess Expenses. If the Commencement Date is other than January 1, Tenant 's Proportionate Share of Excess Expenses for the calendar year in which the Commencement Date occurs shall be multiplied by a fraction, the numerator of which shall be the number of days from the Commencement Date to the following December 31, and the denominator of which shall be 365.

5.3 Definition of Rent. All costs and expenses which Tenant assumes or agrees to pay to Landlord under this Lease shall be deemed "Additional Rent" (which, together with the Base Rent, is sometimes referred to as the "Rent"). The Rent shall be paid to the Building Manager (or other person) at such place as Landlord may from time to time designate in writing, without any prior demand therefore and without deduction or offset, in lawful money of the United States of America.

5.4 Rent Control. If the amount of Rent or any other payment due under this Lease violates the terms of any governmental restrictions on such Rent or payment, then the Rent or payment due during the period of such restrictions shall be such lower amount as may be the maximum amount allowable under those restrictions.

5.5 Taxes Payable by Tenant. In addition to the Rent and any other charges to be paid by Tenant hereunder, Tenant shall reimburse Landlord upon demand for any and all taxes payable by Landlord (other than federal or state income taxes and other taxes otherwise excluded from Tenant's payment or reimbursement obligations under this Article 5) which are not otherwise reimbursable under this Lease, whether or not now customary or within the contemplation of the parties, to the extent that such taxes are allocable to the period between the Commencement Date and the Expiration Date, where such taxes are upon, measured or reasonably attributable to (a) the cost or value of Tenant's equipment, furniture, fixtures and other personal property located in the Premises, or the cost or value of any leasehold improvements made in or to the Premises by or for Tenant, other than building standard work made by Landlord, regardless of whether title to such improvements is held by Tenant or Landlord; (b) the gross or net Rent payable under this Lease, including, without limitation, any rental or gross receipts tax levied by any taxing authority with respect to the receipt of the Rent hereunder; (c) the possession, leasing, operation, management, maintenance,

alteration, repair, use or occupancy by Tenant of the Premises or any portion thereof; or (d) this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises. Landlord hereby represents and warrants that as of the date hereof and as of the Commencement Date there are and will be no such taxes payable or accruing (except under clause (a)) and contests pending in connection with any such taxes. Tenant reserves the right, at its sole expense, to seek a reduction in the assessed valuation of the Project and to contest to the applicable government taxing authority in good faith the amount of or legality of any tax or assessment which it is obligated to pay pursuant to any provisions of this Article 5 or otherwise, so long as such contest shall not subject Landlord to any criminal penalty or to any imminent loss of ownership or use or occupancy of the Project, the Building or the Premises. If Tenant elects so to contest any such tax or assessments, and pending the outcome of any such contest, Tenant may defer the payment thereof provided that before delinquency of any such tax or assessment Tenant shall: (a) give Landlord written notice of Tenant's intention to make such contest; (b) indemnify and hold Landlord harmless from any costs, expenses, penalties or fees (including actual attorneys' fees) arising out of or in connection with such contest; and (c) upon termination of the contest pay all interest and penalties due by reason of such contest. If requested by Tenant, Landlord shall, at no cost to Tenant, execute or join in the execution of any instrument or document necessary in connection with any such contest.

6. INTEREST AND LATE CHARGES.

If Tenant fails to pay Base Rent when due, the unpaid amounts shall bear interest at the maximum rate then allowed by law. Tenant acknowledges that the late payment of any Monthly Installment of Base Rent will cause Landlord to lose the use of that money and incur costs and expenses not contemplated under this Lease, including, without limitation, administrative and collection costs and processing and accounting expenses, the exact amount of which is extremely difficult to ascertain. Therefore, in addition to interest, if any such installment of Base Rent is not received by Landlord within ten (10) days from the date it is due, Tenant shall pay Landlord a late charge equal to ten percent (10%) of such installment. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for the loss suffered from such nonpayment by Tenant. Acceptance of any interest or late charge shall neither constitute a waiver of Tenant's default

with respect to such nonpayment by Tenant nor prevent Landlord from exercising any other rights or remedies available to Landlord under this Lease. In addition, if Tenant fails to pay Additional Rent or other amounts or charges which Tenant is obligated to pay under the terms of this Lease and such failure is not cured within ten (10) days after written notice thereof from Landlord, Tenant shall pay interest and late charges from the date such payments were due in accordance with this Section 6.

7. OPTIONS TO EXTEND TERM.

7.1 Options. Subject to the provisions of Section 7.5, Tenant shall have two (2) options to extend the term of this Lease for a period of five (5) consecutive years each (the "Options"), provided Tenant gives Landlord written notice of its election to exercise the respective Option at least 180 days (but no earlier than one (1) year) prior to the expiration of the term of this Lease then in effect. If for any reasons the Term is not extended by the first five (5) year Option, then all rights to exercise the subsequent Option is terminated. Time is of the essence.

7.2 Determination of Base Rent and Expense Stop.

In the event Tenant elects to exercise either Option, the Base Rent and Expense Stop shall be adjusted to be at ninety-five percent (95%) of the "prevailing market rate" determined as set forth below.

7.3 Determination of Prevailing Market Rate.

7.3.1 As used herein, the term "prevailing market rate" shall mean the base annual rental (taking into account applicable terms and adjustment provisions, and including the Expense Stop, which shall be deemed to be a function of prevailing market rate) for space of comparable size and location in the Building to the Premises then being offered for rent in other buildings similar in age and quality to the Building located in Ontario, California. Within thirty (30) days from Landlord's receipt of Tenant's notice of exercise of an Option pursuant to Section 7.1, Landlord shall give Tenant written notice of Landlord's determination of the prevailing market rate for the space in question. If Tenant disputes Landlord's determination of the prevailing market rate, Tenant shall so notify Landlord within ten (10) days following Landlord's notice to Tenant of the prevailing market rate and such dispute shall be resolved as follows:

(a) Within thirty (30) days following Landlord's notice to Tenant of the prevailing market rate, Landlord and Tenant shall meet no less than two (2) times, at a mutually agreeable time and place, to attempt to resolve any such disagreement.

(b) If within this thirty (30) day period Landlord and Tenant cannot reach agreement as to the prevailing market rate, they shall each select one appraiser to determine the prevailing market rate. Each such appraiser shall arrive at a determination of the prevailing market rate and submit his conclusions to Landlord and Tenant within thirty (30) days of the expiration of the thirty (30) day consultation period described in Section 7.3.1(a).

(c) If only one appraisal is submitted within the requisite time period, it shall be deemed to be the prevailing market rate. If both appraisals are submitted within such time period, and if the two appraisals so submitted differ by less than ten percent (10%) of the higher of the two, the average of the two shall be the prevailing market rate. If the two appraisals differ by more than ten percent (10%) of the higher of the two, then the two appraisers shall immediately select a third appraiser who will within thirty (30) days of his selection make a determination of the prevailing market rate, which determination shall be conclusive.

(d) All appraisers specified pursuant hereto shall be members of the American Institute of Real Estate Appraisers with not less than five (5) years' experience appraising commercial properties in the area in which the Project is located. Each party shall pay one half of the cost of the appraisal services plus one half of any other costs incurred in the arbitration.

7.3.2 In the event the appraiser has not determined the prevailing market rate as of the commencement date of the Option term, Tenant shall temporarily pay Landlord the same Base Rent as paid by Tenant in the month immediately preceding the commencement of the Option term, plus a thirty percent (30%) increase, until such time as the appraiser determines the new Base Rent; and there shall be a corresponding adjustment in the Expense Stop, based on the manner of computation of the Expense Stop hereunder. In the event the appraiser's determination of the prevailing market rate exceeds the amount of Base Rent required to be paid by Tenant as of the commencement date of the Option term, within ten (10) days after written notice, Tenant shall pay Landlord the total amount of the deficiency, if any, between

the prevailing market rate and the Base Rent actually paid. Alternatively, if Tenant has paid more Base Rent than was finally determined by the appraiser to be the prevailing market rate, Tenant shall be entitled to a credit against future sums payable by Tenant under the terms of the Lease.

7.4 Nonassignability. The Options herein granted to Tenant are not assignable separate and apart from this Lease.

7.5 Conditions to Exercising Options. Tenant shall not have the right to exercise either Option or the rights or options to expand provided under Article 29, or to extend the term of this Lease or to lease additional space pursuant to any such exercise, if any of the following occur:

7.5.1 Notice of Default. During the time commencing from the date Landlord gives to Tenant a written notice that Tenant is in default under any provision of this Lease, and continuing until the default alleged in said notice is cured;

7.5.2 Delinquent Payments. During the period of time commencing on the day after a monetary obligation to Landlord is due from Tenant and unpaid (without any necessity for notice thereof to Tenant) continuing until the obligation is paid;

7.5.3 Habitual Default. In the event that Landlord has given to Tenant three (3) or more notices of default in the payment of Base Rent, whether or not the defaults are cured, during the twelve (12) month period prior to the last day on which Tenant is entitled to exercise the Option.

7.6 No Extension. The period of time within which an option may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise the Option because of the foregoing provisions.

7.7 Termination of Options. All rights of Tenant shall terminate and be of no further force or effect, even after Tenant's due and timely exercise of an Option, if, after such exercise, but prior to the commencement date of the new term, any monetary default occurs under this Lease, which is not cured within five (5) days after written notice therof to Tenant from Landlord.

7.8 Effect of Waiver. Landlord's waiver of its right to terminate this Lease due to Tenant's default in any instance shall not be deemed a waiver of the conditions precedent in the Sections of this Lease pertaining to the Option.

8. USE OF THE PREMISES.

8.1 Compliance with Laws. Tenant shall use the Premises solely for the purposes set forth in Tenant's Use Clause. Tenant shall not use or occupy the Premises in violation of (a) any covenant, condition or restriction affecting the Building or Project or the certificate of occupancy issued for the Building or Project, all duly issued or recorded against the Project, or the rules and regulations attached as Exhibit "E" to this Lease, copies of which Landlord delivered to Tenant prior to the date hereof; and (b) any applicable law. Tenant shall, upon notice from Landlord, immediately discontinue any use of the Premises which is declared by any governmental authority having jurisdiction to be a violation of law or the certificate of occupancy. Tenant, at Tenant's own cost and expense, shall comply with all laws, ordinances, regulations, rules and/or any directions of any governmental agencies or authorities having jurisdiction which shall, by reason of the nature of Tenant's use or occupancy of the Premises, impose any duty upon Tenant or Landlord with respect to the Premises or its use or occupation; provided, however, that Tenant shall not be required to pay costs for capital improvements or structural additions or alterations. Tenant shall not do or permit to be done anything which will invalidate or increase the cost of any fire, extended coverage or other insurance policy covering the Building or Project and/or property located therein and shall comply with all rules, orders, regulations, requirements and recommendations of the Insurance Services Office or any other organization performing a similar function. Tenant shall promptly, upon demand, reimburse Landlord for any additional premium charges for such policy by reason of Tenant's failure to comply with the provisions of this Lease. Tenant shall not do or permit anything to be done in or about the Common Area which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building or Project to use and enjoy their premises or the Common Area, injure or annoy them or use or allow the Common Area to be used for any improper, immoral, unlawful or objectionable purpose. Tenant shall not do or permit the Premises to be used for any unlawful purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises.

8.2 Tenant's Right to Contest. Tenant will have the right to contest by appropriate proceedings diligently conducted in good faith in the name of Tenant or with the prior consent of Landlord (which will not be unreasonably withheld or delayed), in the name of Landlord, or both, without cost of expense to Landlord, the validity or application of any law, ordinance, order, rule, regulation or legal requirement of any nature, other than imposed by Landlord pursuant to this Lease and Exhibit "E" attached hereto. If compliance with any law, ordinance, order, rule, regulation or requirement may legally be delayed pending the prosecution of any proceeding without incurring any lien, charge, or liability of any kind against the Premises, or Tenant's interest in the Premises, and without subjecting Tenant or Landlord to any liability, civil or criminal, for failure to comply, Tenant may delay compliance until the final determination of the proceeding. Even if a lien, charge or liability may be incurred by reason of any delay, Tenant may contest and delay, so long as (a) the contest or delay does not subject Landlord to criminal liability and (b) Tenant furnishes to landlord security, reasonably satisfactory to Landlord, against any loss or injury by reason of any contest or delay. Landlord will not be required to join any proceedings pursuant to this Section unless the provisions of any applicable law, rule, or regulation at the time in effect requires that the proceedings be brought by or in the name of Landlord, or both. In that event Landlord will join the proceedings or permit them to be brought in its name if Tenant pays all related expenses.

8.3 Landlord's Warranty. Landlord represents and warrants to Tenant that as of the date hereof and upon the delivery of possession of the Premises to Tenant the Premises are and will be in compliance with all laws, ordinances, orders, rules, regulations, and other governmental requirements relating to the use, condition, and occupancy of the Premises, and all rules, orders, regulations, and requirements of the board of fire underwriters or insurance service offices, or any similar body having jurisdiction over the Premises and the Building of which the Premises are a part.

8.4 Compliance with Environmental Laws. With respect to the Premises, the Building and the Project, Landlord represents, warrants, covenants and agrees as follows:

(a) Landlord has undertaken all appropriate inquiry concerning the prior uses of the Project in connection with hazardous or toxic substances, as required

by Landlord's construction lender for the Project, including, but not limited to that certain Environmental Liability Assessment prepared by Ford C. Hart Associates, Inc. and dated August 23, 1989.

(b) Landlord has no knowledge and has received no notice of any pollution, health, safety, fire, environmental, sewerage or building code violation, asbestos, PCBs, PCB articles, PCB containers, contaminated electrical equipment, as those terms are defined in any "hazardous substance laws" (as hereinafter defined); Landlord has no knowledge that the Premises, the Project or the ground under or about the Project is contaminated with or contains any hazardous or toxic substance, pollutant, contaminants, or petroleum, including crude oil or any fraction of them, or contains any underground storage tank; Landlord has no knowledge that the Project has been, or is it currently used, for the generation, transportation, treatment, storage, or disposal of hazardous or toxic substances, pollutants, contaminants, or petroleum, including crude oil or any fraction thereof; Landlord has no knowledge that the Project contains any conditions that could result in recovery by any governmental or private party of remedial or removal costs, natural resource damages, property damages, damages for personal injuries, or other costs, expenses, or damages or could result in injunctive relief of any kind arising from any alleged injury or threat of injury; Landlord has no knowledge that the Project is subject to investigation, nor is it currently in administrative or judicial litigation regarding any environmental conditions, such as alleged noncompliance or alleged contamination.

(c) Landlord has no knowledge that any part of the Project has been used in connection with hazardous or toxic substances, pollutants, contaminants, or petroleum, including crude oil or any fraction of them, as defined in any of the hazardous substance laws. No releases of hazardous of toxic substances, pollutants, contaminants, or petroleum, including crude oil or any fraction of them, as such terms are defined under the hazardous substance laws, has occurred from the Project into the environment as a result of the actions or omissions of Landlord or, to the best of Landlord's knowledge, any prior owner or operator of the Property, and no threat of such release exists.

(d) Landlord will indemnify, hold harmless, protect and defend Tenant, its directors, officers, employees and agents, and any assignees, subtenants, or successors to Tenant's interest in the Premises, their directors, officers, employees, and agents, from and against

any and all losses, claims, damages, penalties, and liability, including all out-of-pocket litigation costs and the reasonable fees and expenses of counsel, including without limitation all consequential damages, directly or indirectly arising out of the use, generation, storage, release or disposal of hazardous materials by Landlord, its agents or contractors prior to execution of this Lease or at any time after execution; and from and against the cost of any required repairs, cleanup, or detoxification and any closure or other required plans to the full extent that such action is attributable directly or indirectly, to the presence or use, generation, storage, release, threatened release, or disposal of hazardous materials by Landlord, its agent or contractors on, under, or in the Project prior to execution of this Lease. The provisions of this paragraph (d) will survive the expiration or termination of this Lease.

(e) If any cleanup, repair, detoxification, or other similar action is required by any governmental or quasi-governmental agency for any reason other than the acts or omissions of Tenant, its agents, or contractors, at any time, and such action requires that Tenant be closed for business or access be denied for greater than a twenty-four (24) hour period, then the Rent will be abated entirely during the period beyond twenty-four (24) hours. If the closure or denial of access persists in excess of thirty (30) days then, at Tenant's election by written notice to Landlord, this Lease will terminate as of the commencement of such closure.

(f) In this Lease, "hazardous materials" shall include, but is not limited to substances defined as "hazardous substances," "hazardous materials," or "toxic substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq., the Hazardous Materials Transportation Act, 49 U.S.C. Section 6901, et seq., and those substances defined as hazardous, toxic, hazardous wastes, toxic wastes, or as hazardous or toxic substances by any law or statute now or after this date in effect in the State; and the regulations adopted and publications promulgated pursuant to those laws (collectively, "hazardous substance laws").

8.5 Landlord's Use.

(a) Landlord shall maintain the Building as a Class-A office building consistent with other buildings in the area including the furnishing of engineering and other services necessary to accomplish the same.

(b) Landlord shall make repairs, additions and improvements required by any governmental authority which are not required to be made by Tenant as provided in Section 8.1, as soon as reasonably possible, and shall take all actions necessary to ensure the continued lawful operation of the Project at all times. If the making of such repairs, additions or improvements, or Landlord's failure or delay in making the same as and when required, shall result in the loss of use of the Premises so as to materially interfere with Tenant's conduct of business on the Premises, and Tenant is unable reasonably to conduct normal business operations from the Premises for more than one and one-half (1½) consecutive business days, then Tenant's Rent shall be abated from the end of such one and one-half (1½) day period until Tenant is able to conduct normal business operations from the Premises. The amount of such abatement shall be agreed upon by Landlord and Tenant, according to the extent to which such Tenant's normal business operations are curtailed.

(c) Landlord shall make no changes to the Project or the Building which affect the usability or functional utilization of the Premises, or Tenant's ability to conduct normal business operations therefrom, other than temporary changes required in order for Landlord to comply with its repair and maintenance obligations under this Lease, nor shall Landlord make any changes to the Building's equipment or systems which will materially diminish the quality or quantity of services provided to the Premises.

9. SERVICES AND UTILITIES.

9.1 Landlord's Obligations. Landlord shall provide climate control to the Premises from 8:00 a.m. to 6:00 p.m., Monday through Friday, and 9:00 a.m. to 1:00 p.m. on Saturday (nationally recognized holidays excluded) in accordance with industry standards for Class A Buildings in the Ontario area, for Tenant's comfortable use and occupation of the Premises. If Tenant requires climate control at any other time, Landlord shall use reasonable efforts to furnish such service upon reasonable notice from Tenant, and Tenant shall pay Landlord a charge of $25.00 per hour for such use, upon demand. This amount shall be increased by Landlord on each anniversary of the Lease term by an amount reasonably determined by Landlord. Use of the Premises or any part thereof in a manner disproportionately exceeding the heating, ventilating or air-conditioning design conditions (including occupancy and connected electrical load) for the Premises, including rearrangement or partitioning which interferes with normal operation of the heating, ventilation or air-conditioning in the

Premises, or the use of computer or data processing machines or other machines or equipment, all as disclosed in writing by Landlord to Tenant prior to the date hereof, may require changes in the heating, ventilation, air-conditioning or plumbing systems or controls servicing the Premises or portions thereof, in order to provide comfortable occupancy. Except as contemplated in Section 11.1, any such required changes shall be made by Landlord at Tenants expense as alterations in accordance with the provisions of Section 12, but only to the extent permitted and upon the conditions set forth in that Section.

9.2 Elevator Service. Landlord shall furnish elevator service during normal business hours to be used by Tenant in common with others. At least one (1) elevator shall remain in service during all other hours. Landlord may designate a specific elevator for use as a service elevator.

9.3 Janitorial Service. Landlord shall make janitorial and cleaning services (including exterior building window washing) available to the Premises consistent with first class office Buildings in the Ontario area. Tenant shall pay to Landlord on demand the costs incurred by Landlord for (a) extra cleaning in the Premises required because of (i) misuse or neglect on the part of Tenant or Tenant's representatives, (ii) the use of portions of the Premises for special purposes requiring greater or more difficult cleaning work than office areas, (iii) interior glass partitions or unusual quantities of interior glass surfaces, and (iv) non-building standard materials or finishes installed by Tenant or at its request; and (b) removal from the Premises of any refuse and rubbish of Tenant in excess that ordinarily accumulated in general office occupancy or at times other than Landlords' standard cleaning times.

9.4 Water. Landlord shall make available domestic hot and cold running water in reasonable quantities to the Common Areas, and for lavatories, drinking fountains, staff rooms, kitchens and other domestic needs of Tenant if specified in Tenant's Plans and Specifications for the Premises, as described in Exhibit "D."

9.5 Electricity. Landlord shall provide the capacity for separate metering for the use of electricity service to the Premises. Landlord shall contract directly with the applicable supplier of such electricity, and pay such supplier directly for all electricity consumed at the Premises, subject to any limitations contained in Sections 2.4 or 5.2.4. Landlord shall not be liable under

any circumstances for a loss of or injury to the Property or Premises or business of Tenant, however occurring, through, in connection with, or the failure of any such electricity.

9.6 No Warranty. Landlord does not warrant that any of the services referred to above, or any other services which Landlord may supply, will be free from interruption, and Tenant acknowledges that any one or more of such services may be suspended by reason of accident, repairs, inspections, alterations, or improvements necessary to be made, or by strikes or lockouts, or by reason of operation of law, or causes beyond the reasonable control of Landlord. Except as otherwise provided herein, any interruption or discontinuance of service shall not be deemed an eviction or disturbance of Tenant's use and possession of the Premises, or any part thereof, nor render Landlord liable to Tenant for damages by abatement of the Rent or otherwise, or relieve Tenant from performance of Tenant's obligations under this Lease. Landlord shall, however, exercise reasonable diligence to restore any service so interrupted. Notwithstanding the foregoing, the Rent shall be equitably abated in the event Landlord, for whatever reason, is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water or other systems serving the Premises for a period of one and one half (1½) consecutive business days, and, as a result, Tenant is unable to conduct normal business operations from the Premises, unless the damage or defective condition relating to such systems is caused by Tenant, its employees, licensees or invitees. The amount of such abatement shall be agreed upon by Landlord and Tenant, according to the extent to which such unavailability interferes with Tenant's normal business operations on the Premises. If Landlord's failure to furnish any such services or utilities to the Premises or to supply any of the Building's sanitary, electrical, heating, air conditioning, water or other systems serving the Premises for any period of time is caused by any negligence or willful act of Landlord or Landlord's agents or contractors, and, as a result, Tenant is unable to conduct normal business operations from the Premises, there shall be an immediate abatement of Rent for the period of such failure of lack of supply. In the event of any stoppage or interruption of services, Landlord shall use its best efforts to restore said services as soon as possible; Tenant, however, shall have the right, at its option, to terminate this Lease if any such stoppage or interruption of said services continues for any reason (other than damage or destruction, as provided in Section 18 of this Lease) for more than thirty (30) consecutive days, and Tenant is unable reasonably to conduct normal business operations from the Premises during such entire period.

10. CONDITION OF THE PREMISES.

Tenant's taking possession of the Premises shall be deemed conclusive evidence that, as of the date of taking possession, the Premises are in good order and satisfactory condition, except for such matters as to which Tenant gave Landlord notice on or before the Commencement Date and latent defects that cannot ordinarily be observed in a walk-through inspection. No promise of Landlord to alter, remodel, repair or improve the Premises, Building or Project, and no representation, express or implied, respecting any of the Premises, Building or Project) have been made to Tenant by Landlord, or Landlord's agents, other than as may be contained herein or in a separate exhibit or addendum attached hereto and signed by Landlord and Tenant.

11. CONSTRUCTION, REPAIRS AND MAINTENANCE.

11.1 Landlord's Construction Obligations. Landlord shall construct certain tenant improvements (the "Tenant Improvements") on the Premises pursuant to the provisions of Exhibit "D." Landlord's cost for such improvements shall not exceed $27.00 per square foot of Usable Area, or $634,203.00 based on 23,489 square feet of Usable Area. Tenant shall reimburse Landlord for any excess costs, pursuant to the provisions of Exhibit "D." Tenant may elect to allocate up to $5.00 per square foot of this allowance toward the purchase of movable wall partitions (and attached working stations) the selection of which shall be made by Tenant. To the extent of amounts so allocated, at Landlord's option, upon written notice which must be given prior to installation, such fixtures and personal property shall be the property of Landlord; provided, however, that Tenant shall have the right to use such fixtures and personal property at all times prior to the termination of this Lease without any interference by Landlord. If Tenant pays any sums, other than from such allowance, for the purchase of such items, Landlord and Tenant shall promptly agree, upon or prior to the installation date, upon the ownership of each such item and shall mark such items appropriately to indicate ownership.

11.2 Landlord's Maintenance and Repair Obligations. Except as provided in Section 11.3.2, Landlord shall maintain, in good condition and repair, in a manner consistent with other comparable buildings in the vicinity: (a) the structural parts of the Building which structural parts include only the foundations, bearing and exterior walls (including glass and doors), subflooring, and roof; (b) the Common Areas; (c) the unexposed electrical, plumbing and sewage systems, including, without limitation, those

portions of the systems lying outside the Premises; (d) window frames, gutters and downspouts on the Building; and (e) the Building heating, ventilation and air-conditioning systems servicing the Premises.

11.3 Tenant's Obligations.

11.3.1 Maintenance. Tenant, at Tenant's sole expense, shall, except for services furnished by Landlord pursuant to Article 9, maintain the Premises in good order, condition and repair, including the interior surfaces of the ceilings, walls and floors, all doors, all interior windows, all exposed plumbing, pipes and fixtures, switches and fixtures, building standard furnishings and special items and equipment installed by or at the expense of Tenant.

11.3.2 Repairs Caused by Tenant. Tenant shall be responsible for all repairs and alterations in and to the Premises, Building and Project and the facilities and systems thereof, the need for which arises out of (a) Tenant's use or occupancy of the Premises; (b) the installation, removal, use or operation of Tenant's Property (as defined in Section 13.2) in the Premises; (c) the moving of Tenant's Property into or out of the Building, unless undertaken by Landlord; or (d) the act, omission, misuse or negligence of Tenant, its agents, contractors, employees or invitees.

11.3.3 Landlord's Cure. If Tenant fails to maintain the Premises in good order, condition and repair, Landlord shall give Tenant notice to do such acts as are reasonably required to so maintain the Premises. If Tenant fails to commence such work within ten (10) business days after written notice thereof, and diligently prosecute it to completion, then Landlord shall have the right to do such acts and expend such funds at the expense of Tenant as are reasonably required to perform such work. Any amount so expended by Landlord shall be paid by Tenant promptly after demand with interest at the prime commercial rate then being charged by Bank of America, NT & SA, plus two (2) percentage points from the date of such work, but not to exceed the maximum rate then allowed by law. Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the Premises by Tenant as a result of performing any such work.

11.4 Compliance With Law. Landlord and Tenant shall each do all acts required to comply with all applicable laws, ordinances and rules or any public authority relating to their respective maintenance obligations as set forth herein.

11.5 Waiver by Tenant. Tenant expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford Tenant the right to terminate the Lease because of Landlord's failure to keep the Premises in good order, condition and repair.

11.6 Load and Equipment Limits. Tenant shall not place a load upon any floor of the Premises which exceeds the load per square foot which such floor was designed to carry, as determined by Landlord or Landlord's structural engineer. The cost of any such determination made by Landlord's structural engineer shall be paid for by Tenant upon demand, if Tenant's load exceeds such designated load. Tenant shall not install business machines or mechanical equipment which cause noise or vibration to such a degree as to be objectionable to Landlord or other Building tenants.

11.7 Damages Arising From Repairs. Except as otherwise expressly provided in this Lease, Landlord shall have no liability to Tenant, nor shall Tenant's obligations under this Lease be reduced or abated in any manner whatsoever, by reason of any reasonable inconvenience, annoyance, interruption or injury to business arising from Landlord's making any repairs or changes which Landlord is required or permitted by this Lease or by any other tenant's lease or required by law to make in or to any portion of the Project, Building or Premises. Landlord shall, nevertheless, use reasonable efforts to minimize any interference with Tenant's business in the Premises. Notwithstanding the foregoing, the Rent shall be equitably abated, if, as a result of making such repairs, Tenant is unable reasonably to conduct normal business operations from the Premises for more than one and one-half (1½) consecutive days. The amount of such abatement shall be agreed upon by Landlord and Tenant, according to the extent to which Tenant's normal business operations on the Premises are curtailed.

11.8 Notice of Damage. Tenant shall give Landlord prompt notice of any damage to or defective condition in any part or appurtenance of the Building's mechanical, electrical, plumbing, HVAC or other systems serving, located in or passing through the Premises.

11.9 Condition of Premises Upon Termination of Lease. Upon the expiration or earlier termination of this Lease, Tenant shall return the Premises to Landlord clean and in the same condition as on the date Tenant took possession, except for normal wear and tear. Any damage to the Premises, including any structural damage, resulting

from Tenant's use or from Tenant's removal of Tenant's fixtures, furnishings and equipment shall be repaired by Tenant at Tenant's expense.

12. ALTERATIONS AND ADDITIONS.

12.1 Landlord's Consent. Tenant shall not make any additions, alterations or improvements to the Premises without obtaining the prior written consent of Landlord. Landlord's consent may be conditioned on (a) Landlord's approval of relevant construction drawings and plans; and/or (b) Tenant's removing any such additions, alterations or improvements upon the expiration of the Term and restoring the Premises to the same condition as on the date Tenant took possession. All work with respect to any addition, alteration or improvement shall be done in good and workmanlike manner by properly qualified and licensed personnel approved by Landlord, in its reasonable judgment, and such work shall be diligently prosecuted to completion. Landlord may, at Landlord's option, require that any such work be performed by Landlord's contractor, in which case the cost of such work shall be paid for before commencement of the work. Tenant shall pay to Landlord upon completion of any such work by Landlord's contractor an administrative fee of eight percent (8%) of the cost of the work.

12.2 Payment of Construction Costs. Tenant shall pay the costs of any work done on the Premises pursuant to Section 12.1. Tenant shall keep the Premises, Building, Project, Tenant's leasehold interest and any additions or improvements which are or become the property of Landlord under this Lease, free and clear of all attachments, judgments and liens of any kind. Tenant shall indemnify, defend against and keep Landlord free and harmless from all liability, loss, damage, costs, attorney's fees, and any other expense incurred on account of claims by any person performing work or furnishing materials or supplies for Tenant or any person claiming under Tenant.

12.3 Notice of Construction. Before the actual commencement of any work for which a claim or lien may be filed, Tenant shall give Landlord notice of the intended commencement date a sufficient time before that date to enable Landlord to post notices of nonresponsibility or any other notices which Landlord deems necessary for the proper protection of Landlord's interest in the Premises, Building or Project; and Landlord shall have the right to enter the Premises and post such notices at any reasonable time.

12.4 Bonds. Landlord may require, at Landlord's sole option, that Tenant provide to Landlord, at Tenant's expense, a lien and completion bond in an amount equal to at

least one and one-half (1 1/2) times the total estimated cost of any additions, alterations or improvements to be made in or to the Premises to protect Landlord against any liability for mechanics' and materialmen's liens and to insure timely completion of the work. Nothing contained in this Section 12.4 shall relieve Tenant of its obligation under Section 12.2 to keep the Premises, Building and Project free of all liens.

12.5 Ownership of Additions. Unless their removal is required by Landlord, all additions, alterations and improvements made to the Premises shall become the property of Landlord and be surrendered with the Premises upon the expiration of the Term; provided, however, that Tenant's equipment, machinery and trade fixtures which can be removed without damage to the Premises shall remain the property of Tenant and may be removed subject to the provisions of Section 13.2.

13. LEASEHOLD IMPROVEMENTS; TENANT'S PROPERTY.

13.1 Landlord's Property. All fixtures, equipment, improvements and appurtenances attached to or built into the Premises at the commencement of or during the Term, whether or not by or at the expense of Tenant ("Leasehold Improvements"), shall be and remain a part of the Premises, shall be the property of the Landlord and shall not be removed by Tenant, except as expressly provided in Section 13.2

13.2 Tenant's Property. All moveable partitions, business and trade fixtures, machinery and equipment, communications equipment and office equipment located in the Premises and acquired by or for the account of Tenant, without expense to Landlord, which can be removed without structural damage to the Building, and all furniture, furnishings and other articles of moveable personal property owned by Tenant and located in the Premises (collectively, "Tenant's Property") shall be and shall remain the property of Tenant and may be removed by Tenant at any time during the Term; provided that if any of Tenant's Property is removed, Tenant shall promptly repair any damage to the Premises or Building resulting from such removal.

14. CERTAIN RIGHTS RESERVED BY LANDLORD.

Landlord reserves the following rights, exercisable without liability of any kind to Tenant for (a) damage or injury to property, person or business; (b) causing an actual or constructive eviction from the Premises; or (c) disturbing Tenant's use or possession of the Premises:

14.1 Name. To name the Building and Project and to change the name or street address of the Building or Project.

14.2 Signs. To install and maintain all signs on the exterior of the Building or Project.

14.3 Keys. To have passkeys to all doors within the Premises, excluding Tenant's vaults and safes.

14.4 Inspect and Show Premises. At any time during the Term, and on reasonable prior notice to Tenant, to inspect the Premises and to show the Premises to any prospective purchaser or mortgagee on the Project or to others having an interest in the Project or Landlord; and during the last six months of the Term, to show the Premises to prospective tenants thereof. Landlord shall not interfere with Tenant's business on the Premises in the course of any such inspection and showing.

14.5 Enter Premises. To enter the Premises, upon reasonable prior notice, except in the case of an emergency, for the purpose of making inspections, repairs, alterations, additions or improvements to the Premises or the Building (including, without limitation, checking, calibrating, adjusting or balancing controls and other parts of the HVAC system) and to take all steps as may be necessary or desirable for the safety, protection, maintenance, or preservation of the Premises or the Building or Landlord's interest therein or as may be necessary or desirable for the operation or improvement of the Building or in order to comply with laws, orders or requirements or governmental or other authority. Landlord agrees to use its best efforts to minimize interference with Tenant's business on the Premises in the course of any such entry.

15. ASSIGNMENT, SUBLETTING AND HYPOTHECATION.

No assignment of this Lease or sublease of all or any part of the Premises shall be permitted except as provided in this Article 15.

15.1 Restrictions/Recapture/Termination Option. Tenant shall not, without the prior written consent of Landlord, assign or hypothecate this Lease or any interest herein, sublet the Premises or any part thereof or permit the use of the Premises by any party other than Tenant. Landlord's consent may be conditioned on Landlord's approval of the experience, competence, reputation and/or financial condition of the proposed subtenant or assignee. Any of the foregoing acts without such consent shall be void and shall,

at the option of Landlord, terminate this Lease. This Lease shall not, nor shall any interest of Tenant herein, be assignable by operation of law without the written consent of the Landlord.

15.2 Conditions of Assignment. If, at any time or from time to time during the Term, Tenant desires to assign this Lease or sublet all or any part of the Premises, Tenant shall give notice to Landlord setting forth the terms and provisions of the proposed assignment or sublease and the identity of the proposed assignee or subtenant. Tenant shall promptly supply Landlord with such information concerning the business background and financial condition of such proposed assignee or subtenant as Landlord may reasonably request. If Landlord approves of such sublease by assignee, Tenant may assign or hypothecate the Lease or sublet such space to such proposed assignee, secured party or subtenant on the following further conditions:

15.2.1 Approval. Landlord shall have the right to approve such proposed assignee, subtenant or secured party, which approval shall not be unreasonably withheld;

15.2.2 Same Terms. The assignment, sublease, or security agreement shall be on the same terms set forth in the notice given to Landlord;

15.2.3 Documents Delivered. No assignment, sublease, or security agreement shall be valid, and no assignee, sublessee or secured party shall have rights to take possession of the Premises, until an executed counterpart of such assignment, sublease or security agreement had been delivered to Landlord;

15.2.4 Further Assignment. No assignee, sublessee or secured party shall have a further right to assign or sublet except on the terms herein contained; and

15.2.5 Additional Rent. Any sums or other economic consideration received by Tenant as a result of such assignment, subletting or hypothecation, however denominated under the assignment, sublease or security agreement, which exceed, in the aggregate, (a) the total sums which Tenant is obligated to pay Landlord under this Lease (prorated to reflect obligations allocable to any portion of the Premises subleased); plus (b) any reasonable real estate brokerage commissions or fees payable in connection with such assignment or subletting, shall be payable to Landlord as additional rent under this Lease without affecting or reducing any other obligations of Tenant hereunder.

15.3 Tenant's Liability. Each permitted assignee, sublessee or transferee, other than Landlord, shall assume and be deemed to have assumed this Lease and shall be and remain liable jointly and severally liable with Tenant for the payment of the Rent and for the due performance or satisfaction of all of the provisions, covenants, conditions and agreements herein contained on Tenant's part to be performed or satisfied. No assignment or transfer of this Lease shall alter the primary liability of Tenant to pay the Rent and to perform all other obligations to be performed by Tenant hereunder. The acceptance of Rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision hereof. Consent to one assignment, subletting or hypothecation shall not be deemed consent to any subsequent assignment, subletting or hypothecation. In the event of default by an assignee or subtenant of Tenant or any successor of Tenant in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against such assignee, subtenant or successor. Landlord may consent to subsequent assignments, subletting, hypothecations and amendments or modifications of the Lease with assignees, sublessors or creditors of Tenant, without notifying Tenant or any successor of Tenant, and without obtaining its or their consent thereto; and any such actions shall not relieve Tenant of liability under this Lease.

15.4 Corporate Stock Transactions. Except as set forth below, Tenant's sale or transfer of all or substantially all of the assets or stock of Tenant shall constitute an assignment hereunder, but shall not require Landlord's consent, provided that written notice of such sale or transfer is given to Landlord and the net worth of the purchaser or transferee is equal to or greater than Tenant's as of the date of the transfer or sale. Notwithstanding the foregoing, a transfer of less than fifty-one percent (51%) of the ownership of Tenant's stock, a transfer of stock pursuant to a public offering or, if the stock of Tenant is publicly traded, any transfer of stock in Tenant shall not be considered an assignment within the meaning of this Article 15.

15.5 Landlord's Costs. Any notice by Tenant to Landlord of a proposed assignment, subletting or hypothecation shall be accompanied by a payment of $250 as a nonrefundable fee for Landlord's time and the processing of Tenant's request for Landlord's consent. In addition to said fee, Tenant shall reimburse Landlord for reasonable attorney's fees incurred by Landlord in connection with such review and the preparation of documents in connection therewith.

16. HOLDING OVER.

If, after expiration of the Term, Tenant remains in possession of the Premises with Landlord's permission (express or implied), Tenant shall become a tenant from month to month only, upon all the provisions of this Lease (except as to Term and Base Rent), but the Monthly Installments of Base Rent payable by Tenant shall be increased to one hundred twenty-five percent (125%) of the Monthly Installments of Base Rent payable by Tenant at the expiration of the Term. Such monthly rent shall be payable in advance on or before the first day of each month. If either party desires to terminate such month-to-month tenancy, it shall give the other party not less than thirty (30) days advance written notice of the date of termination.

17. SURRENDER OF PREMISES.

17.1 Condition of Premises. Tenant shall peaceably surrender the Premises to Landlord on the Expiration Date, in broom-clean condition and in as good condition as when Tenant took possession, except for (a) reasonable wear and tear; (b) loss by fire or other casualty; and (c) loss by condemnation. Tenant shall, on Landlord's request, remove Tenant's Property on or before the Expiration Date and promptly repair all damage to the Premises or Building caused by such removal.

17.2 Remaining Property. If Tenant abandons or surrenders the Premises or is dispossessed by process of law or otherwise, any of Tenant's Property left on the Premises shall be deemed to be abandoned; and, at Landlord's option, title shall pass to Landlord under this Lease as by a bill of sale. If Landlord elects to remove all or any part of such Tenant's Property, the cost of removal, including repairing any damage to the Premises or Building caused by such removal, shall be paid by Tenant. On the Expiration Date, Tenant shall surrender all keys to the Premises.

18. DESTRUCTION OR DAMAGE.

18.1 90-Day Insured Repairs. If the Premises or the portion of the Building necessary for Tenant's use and occupancy is damaged by fire, earthquake, act of God, the elements or other casualty, Landlord shall, subject to the provisions of this Article, promptly repair the damage if such repairs can, in the opinion of Landlord's hazard insurer, which opinion shall be rendered to Landlord and Tenant within fourteen (14) days of the date of destruction, be completed within ninety (90) days and the damage is

covered by Landlord's extended coverage insurance. If Landlord's hazard insurer fails to render such opinion within such fourteen (14) day period, Landlord shall promptly appoint a contractor satisfactory to Tenant to render such opinion and shall cause such opinion to be rendered within thirty (30) days after the casualty. If it is determined that repairs can be completed within ninety (90) days, Landlord shall commence such repairs within thirty (30) days of the occurrence of the damage or casualty, and this Lease shall remain in full force and effect (without limitation of any other rights and remedies of the parties), except that if such damage is not the result of the negligence or willful misconduct of Tenant or Tenant's agents, employees, contractors, licensees or invitees, the Rent shall be abated to the extent Tenant's use of the Premises is impaired, commencing with the date of damage and continuing until completion of the repairs required of Landlord under Section 18.1.

18.2 Long-Term/Uninsured Repairs to Premises. If it is determined, as provided in Section 18.1, that such repairs to the Premises or portion of the Building necessary for Tenant's use and occupancy cannot be completed in ninety (90) days, or if such casualty or damage is not covered by Landlord's extended coverage insurance, Landlord or Tenant may elect, upon notice to the other given within thirty (30) days after the date of such fire or other casualty, to repair such damage, in which event this Lease shall continue in full force and effect, but the Rent shall be abated as provided in Section 18.1. If neither Landlord nor Tenant so elects to make such repairs, this Lease shall terminate as of the date of such fire or other casualty. Any repairs made pursuant to this Section 18.2 shall be made at the expense of the party electing to make such repairs to the extent insurance proceeds are not available or are insufficient to cover the cost of such repairs.

18.3 Long-Term/Uninsured Repairs to Building or Project. If any other portion of the Building or Project is totally destroyed or damaged to the extent that repair thereof cannot be completed within ninety (90) days, as determined pursuant to Section 18.1, or if such casualty or damage is not covered by Landlord's extended coverage insurance, Landlord may elect, upon notice to Tenant given within thirty (30) days after the date of such fire or other casualty, to repair such damage, in which event this Lease shall continue in full force and effect, but the Rent shall be abated as provided in Section 18.1. If Landlord does not elect to make such repairs, this Lease shall terminate as of the date of such fire or other casualty. Tenant shall pay Tenant's Proportionate Share of any repairs made pursuant to

this Section 18.3 to the extent insurance proceeds are not available or are insufficient to cover the cost of such repairs. Tenant shall be responsible, at its sole cost and expense, for the repair, restoration and replacement of any other leasehold improvements and tenant's property.

18.4 Tenant's Right to Terminate. Notwithstanding anything contained in this Section 18, if, during the Term the Premises, Building or any portion thereof receives damage, as a result of any reason other than Tenant's gross negligence or willful misconduct, the effect of which is to render the Premises untenantable, in Tenant's reasonable opinion, for the normal operations of Tenant's business for a period or one hundred eighty (180) days or more or if repair and reconstruction is not timely commenced or completed within the time required therefor, then Tenant shall have the option to terminate this Lease upon thirty (30) days' notice to Landlord.

18.5 Limitation on Landlord's Right to Terminate. Notwithstanding anything contained in this Section 18, Landlord may not terminate this Lease if Landlord does not also terminate the lease of each tenant with similar damage to such tenant's premises resulting from the casualty leading to such termination.

18.6 Consequential Damage. Landlord shall not be liable for any loss of business, inconvenience or annoyance arising from any repair or restoration of any portion of the Premises, Building or Project as a result of any damage from fire or other casualty.

18.7 Waiver. This Lease shall be considered an express agreement governing any case of damage to or destruction of Premises, Building or Project by fire or other casualty, and any present or future law which purports to govern the rights of Landlord and Tenant in such circumstances in the absence of express agreement shall have no application.

18.8 Obligation to Repair. Subject to the options to terminate provided in this Article 18, if during the Term, the Building or the Premises, or any portion thereof, is damaged by fire, earthquake or other casualty or peril, Landlord shall with all due diligence (upon receipt of insurance proceeds, if applicable) repair or rebuild the Building and the Premises to the condition at least equal to that existing immediately prior to said damage. In connection therewith, Landlord shall use any such insurance proceeds for such purpose, together with any insurance proceeds received by Tenant by reason of insurance on

improvements made by it in excess of the actual amount needed to replace or restore Tenant's improvements, fixtures and equipment, provided that any such proceeds received by Tenant shall only be used for the replacements or restoration of Tenant's improvements, fixtures and equipment. If, by reason of the provisions of any mortgage or deed of trust executed by Landlord encumbering the Building, insurance proceeds are required to be made payable to the lien holder and/or the policies of insurance placed in its custody, Tenant hereby consents thereto, provided that the lien holder in question shall first agree in writing with Landlord to make the proceeds of said insurance available for the repair and restoration of the Building.

19. EMINENT DOMAIN.

19.1 Termination Rights. If the whole of the Building or Premises is lawfully taken by condemnation or in any other manner for any public or quasi-public purpose, this Lease shall terminate as of the date of such taking, and Rent shall be prorated to such date. If less than the whole of the Building or Premises is so taken, this Lease shall be unaffected by such taking, provided that (a) Tenant shall have the right to terminate this Lease by notice to Landlord given within ninety (90) days after the date of such taking if twenty percent (20%) or more of the Premises is taken and the remaining area of the Premises is not reasonably sufficient for Tenant to continue operation of its business; and (b) Landlord shall have the right to terminate this Lease by notice to Tenant given within ninety (90) days after the date of such taking. If either Landlord or Tenant so elects to terminate this Lease, the Lease shall terminate on the thirtieth (30th) day after either such notice. The Rent shall be prorated to the date of termination. If this Lease continues in force upon such partial taking, the Rent shall be equitably adjusted according to the remaining Rentable Area of the Premises and Project.

19.2 Proceeds. In the event of any taking, partial or whole, all of the proceeds of any award, judgment or settlement payable by the condemning authority shall be the exclusive property of Landlord; and Tenant hereby assigns to Landlord all of its right, title and interest in any award, judgment or settlement from the condemning authority. Tenant, however, shall have the right to claim from the condemning authority (but not from Landlord) such compensation as may be recoverable by Tenant in its own right for relocation expenses, damage to Tenant's personal property, and the value of Tenant's leasehold estate.

19.3 Restoration of Remaining Premises. In the event of a partial taking of the Premises which does not result in a termination of this Lease, Landlord shall restore the remaining portion of the Premises as nearly as practicable to its condition prior to the condemnation or taking, but only to the extent of building standard work. Tenant shall be responsible, at its sole cost and expense, for the repair, restoration and replacement of any other Leasehold Improvements and Tenant's Property.

20. INDEMNIFICATION.

20.1 Tenant's Indemnification. Except to the extent caused by the negligence or willful misconduct of Landlord or its Related Parties (as defined below) Tenant shall indemnify and hold Landlord and its Related Parties harmless against and from liability and claims of any kind for loss or damage to property of Tenant and/or its Related Parties, or for any injury to or death of any person, arising out of (a) Tenant's or its Related Parties' use and occupancy of the Premises or any work, activity or other things conducted by Tenant and/or its Related Parties in, on or about the Project; (b) any breach or default by Tenant and/or its Related Parties of any of Tenant's obligations under this Lease; or (c) any negligent or otherwise tortious act or omission of Tenant and/or its Related Parties in, on about or affecting the Premises, the against all costs, attorneys' fees, expert-witness fees and any other expenses incurred in such action or proceeding. Except as provided in Section 20.2, or as otherwise provided in this Lease, as a material part of the consideration for Landlord's execution of this Lease, Tenant hereby assumes all risk of damage or injury to any person or property in, or about the Premises from any cause. Tenant's obligations under this Section 20.1 shall survive the termination of the Lease.

20.2 Landlord's Indemnification. Except to the extent caused by the negligence or willful misconduct of Tenant or its Related Parties, the Landlord shall indemnify and hold Tenant and its Related Parties harmless against and from liability and claims of any kind for loss or damage to property of Landlord and/or its Related Parties, or for any injury to or death of any person, arising out of (a) use and occupancy of the Project or any work, activity or other things conducted by Landlord and/or its Related Parties in, on or about the Project; (b) any breach or default by Landlord and/or its Related Parties of any of Landlord's obligations under this Lease; or (c) any negligent or otherwise tortious act or omission of Landlord and/or its Related Parties relating to the Premises, Project or this Lease. Landlord shall, at Landlord's expense and by counsel

satisfactory to Tenant defend Tenant in any action or proceeding arising from any such claim and shall indemnify Tenant against all costs, attorneys' fees, expert-witness fees and any other expenses incurred in such action or proceeding. Landlord's obligations under this Section 20.2 shall survive the termination of the Lease.

20.3 Landlord's Liability Limitations. Except as provided in Section 20.2, Landlord shall not be liable for injury or damage which may be sustained by the person or property of Tenant, its Related Parties or any other person in or about the Premises caused by or resulting from fire, steam, electricity, gas, water or rain which may leak or flow from or into any part of the Premises or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, whether such damage or injury results from conditions arising upon the Premises or upon other portions of the Building or Project or from other sources. Except as provided in Section 20.2, Landlord shall not be liable for any damages arising from any act or omission of any other tenant of the Building or Project, except to the extent Landlord permitted such act or omission.

20.4 Related Parties. The "Related Parties" of an entity or individual (where appropriate) include, but are not limited to, all past, present and future employees, officers, directors, shareholders, contractors, subcontractors, invitees, customers, partners, joint venturers, agents, successors, assigns, heirs, personal representatives, administrators, parent entities, subsidiaries and affiliates of that entity or individual (where appropriate).

21. INSURANCE.

21.1 Tenant's Policy Requirements. All insurance required to be carried by Tenant hereunder shall be issued by responsible insurance companies acceptable to Landlord and Landlord's lender and qualified to do business in the State. Each policy shall name Landlord and, at Landlord's request, any mortgagee of Landlord as an additional insured, as their respective interests may appear. Each policy shall contain (a) a cross-liability endorsement; (b) a provision that such policy and the coverage evidenced thereby shall be primary and noncontributing with respect to any policies carried by Landlord and that any coverage carried by Landlord shall be excess insurance; and (c) a waiver by the insurer of any right of subrogation against Landlord, its agent, employees and representatives, which arises or might arise by reason of any payment under such policy or by

reason of any act or omission by Landlord, its agents, employees or representatives. A copy of each paid-up policy (authenticated by the insurer) or certificate of the insurer evidencing the existence and amount of each insurance policy required hereunder shall be delivered to Landlord before the date Tenant is first given the right of possession of the Premises, and thereafter within thirty (30) days after any demand by Landlord therefor. Landlord may, at any time and from time to time, inspect and/or copy any insurance policies required to be maintained by Tenant hereunder. No such policy shall be cancellable except after twenty (20) days' written notice to Landlord and Landlord's lender. Tenant shall furnish Landlord with renewals or "binders" of any such policy at least ten (10) days prior to the expiration thereof. Tenant agrees that if Tenant does not take out and maintain such insurance, Landlord may (but shall not be required to) procure said insurance on Tenant's behalf and charge Tenant the premiums, payable upon demand. Tenant shall have the right to provide such insurance coverage pursuant to blanket policies obtained by Tenant, provided such blanket policies expressly afford coverage to the Premises, Landlord, Landlord's mortgagee and Tenant as required by this Lease.

21.2 Tenant's Fire and Extended Coverage. Beginning on the date Tenant is given access to the Premises for any purpose and continuing until expiration of the Term, Tenant shall procure, pay for and maintain in effect policies of casualty insurance covering (a) all Leasehold Improvements, including any alterations, additions or improvements as may be made by Tenant pursuant to the provisions of Article 14, and (b) trade fixtures, merchandise and other personal property from time to time in or about the Premises, in an amount not less than one hundred percent (100%) of their actual replacement cost from time to time, providing protection against any peril included with the classification "Fire and Extended Coverage," together with insurance against sprinkler damage, vandalism and malicious mischief. The proceeds of such insurance shall be used for the repair or replacement of the property so insured. Upon termination of this Lease following a casualty as set forth herein, the proceeds under Section 21.2(a) shall be paid to Landlord, and the proceeds under Section 21.2(b) shall be paid to Tenant.

21.3 Tenant's Liability Insurance. Beginning on the date Tenant is given access to the Premises for any purpose and continuing until expiration of the Term, Tenant shall provide, pay for and maintain in effect workers' compensation insurance as required by law and comprehensive public liability and property damage insurance with respect

to the construction of improvements on the Premises and the operations of Tenant in, on or about the Project, providing personal injury and broad form property damage coverage for not less than $2,000,000.00 combined single limit for bodily injury, death and property damage liability. Tenant shall also procure adequate insurance to cover all of Tenant's obligations under this Lease, including, but not limited to, Tenant's obligations to indemnify Landlord as set forth in Section 20.

21.4 Tenant's Insurance Requirement Adjustments. Not less than every three (3) years during the Term, Landlord and Tenant shall mutually agree to reasonable and appropriate increases in all of Tenant's insurance policy limits for all insurance to be carried by Tenant as set forth in this Article 21. In the event Landlord and Tenant cannot mutually agree upon the amount of said increases, then Tenant agrees that all insurance policy limits as set forth in this Article 21 shall be adjusted by a minimum of five percent (5%) per annum cumulatively throughout the Term.

21.5 Landlord's Hazard Insurance. At all times during the Term, Landlord shall keep the Project (excluding the land) and the Premises hereof (including the Tenant Improvements) insured against damage and destruction by fire, vandalism and other perils included within the classification "Fire and Extended Coverage," by a responsible insurance company authorized to do business in the State, with a rating of not less than A:VII in the most currently available Best's Insurance Reports, in the amount of the full replacement value of the Project, the Building and tenant improvements in the Premises, in their entirety. The insurance policies shall include an endorsement entitled "Agreed Amount Endorsement and Replacement Cost Coverage."

21.6 Landlord's Liability Insurance. Landlord shall procure and keep in effect during the Term a policy or policies of comprehensive liability insurance, including public liability and property damage, with a minimum combined single limit of liability of $2,000,000.00 for personal injuries or deaths of persons occurring in or about the Project and the Building. Said policy or policies shall be issued by an insurance company authorized to do business in the State, with a rating of not less than A:VII in the most currently available Best's Insurance Reports.

22. WAIVER OF SUBROGATION.

Landlord and Tenant each hereby waive all rights of recovery against the other and against the officers, employees, agents and representatives of the other, on

account of loss by or damage to the waiving party of its property or the property of others under its control, to the extent that such loss or damage is insured against under any fire and extended coverage insurance policy which either may have in force at the time of the loss or damage. Tenant shall, upon obtaining the policies of insurance required under this Lease, give notice to its insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease.

23. SUBORDINATION AND ATTORNMENT.

23.1 Subordination. Upon written request of Landlord, any future first mortgagee or first deed of trust beneficiary of Landlord or future ground lessor of Landlord, Tenant shall, in writing subordinate its rights under this Lease to the lien of any future first mortgage or first deed of trust, or to the interest of any lease in which Landlord is lessee, and to all advances made or hereafter to be made thereunder; provided that such subordination shall not be effective unless a separate written agreement is entered into between Tenant and such lessor under such ground or underlying lease, or by the mortgagee named in any such mortgage, or by the trustee and the beneficiary named in any such deed of trust, providing that notwithstanding any default in the mortgage or deed of trust and any termination or foreclosure thereof, or the enforcement by the holder of the mortgage or deed of trust of any rights or remedies, including any foreclosure sale, or otherwise, this Lease shall be recognized, remain in full force and effect, and the Tenant shall be permitted to remain in quiet and peaceful possession of the Premises throughout the full Lease Term and to receive and enjoy the full benefits and rights provided to Tenant hereunder, as long as Tenant shall not be in default under this Lease, or, if Tenant is in such default, as long as Tenant's time to cure such default shall not have expired (the "Non-Disturbance and Attornment Agreement"). Further, Landlord shall use its reasonable efforts to obtain such a Non-Disturbance and Attornment Agreement from any existing first mortgagee or first deed of trust beneficiary of Landlord as of the date of the execution of this Lease. The holder of any security interest may, upon written notice to Tenant, elect to have this Lease prior to its security interest regardless of the time of granting or recording of such security interest.

23.2 Attornment. In the event of any foreclosure sale, transfer in lieu of foreclosure or termination of the lease in which Landlord is lessee, Tenant shall attorn to the purchaser, transferee or lessor, as the case may be, and

recognize that party as Landlord under this Lease, provided such party acquires and accepts the Premises subject to this Lease.

24. TENANT ESTOPPEL CERTIFICATE.

Within ten (10) days after written request from Landlord, Tenant shall execute and deliver to Landlord or Landlord's designee a written statement certifying (a) that this Lease is unmodified and in full force and effect, or is in full force and effect as modified and stating the modifications; (b) the amount of Base Rent and the date to which Base Rent and additional rent have been paid in advance; (c) the amount of any security deposited with Landlord; and (d) that Landlord is not in default hereunder or, if Landlord is claimed to be in default, stating the nature of any claimed default. Any such statement may be relied upon by a purchaser, assignee or lender. Tenant's failure to execute and deliver such statement within the time required shall be conclusive upon Tenant that (a) this Lease is in full force and effect and has not been modified except as represented by Landlord; (b) there are no uncured defaults in Landlord's performance and Tenant has no right of offset, counterclaim or deduction against Rent; and (c) not more than one month's Rent has been paid in advance, provided that the written request so specifies and states the date on or before which such statement must be delivered to Landlord in accordance herewith.

25. TRANSFER OF LANDLORD'S INTEREST.

In the event of any sale or transfer by Landlord of the Premises, Building or Project and assignment of this Lease by Landlord, Landlord shall be and is hereby entirely freed and relieved of any and all liability and obligations contained in or derived from this Lease arising out of any act, occurrence or omission relating to the Premises, Building, Project or Lease occurring after the consummation of such sale or transfer, providing the purchaser shall expressly assume all of the covenants and obligations of Landlord under this Lease. If any security deposit or prepaid Rent has been paid by Tenant, Landlord may transfer the security deposit or prepaid Rent to Landlord's successor; and upon such transfer, Landlord shall be relieved of any and all further liability with respect thereto, provided that Landlord shall have first given Tenant written notice thereof and Landlord's successor shall have confirmed to Tenant, in writing, such successor's assumption or liability.

26. DEFAULT.

26.1 Tenant's Default. The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant.

26.1.1 Abandonment. If Tenant abandons the Premises;

26.1.2 Nonpayment of Rent. If Tenant fails to pay any Rent or any other charges required to be paid by Tenant under this Lease within the time required therefor and such failure continues for five (5) days after written notice thereof from Landlord;

26.1.3 Nonperformance. If Tenant fails to promptly and fully perform any other covenant, condition or agreement contained in this Lease and such failure continues for thirty (30) days after the written notice thereof from Landlord to Tenant; provided, however, that if the nature of Tenant's failure is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant shall commence such cure within said thirty (30) day period and thereafter diligently prosecute such cure to completion;

26.1.4 Attachment. If a writ of attachment or execution is levied on Tenant's leasehold interest under this Lease or on any of Tenant's Property, and is not satisfied or released within sixty (60) days thereafter;

26.1.5 Creditor Arrangement. If Tenant makes a general assignment for the benefit of creditors;

26.1.6 Insolvency. If Tenant files a voluntary petition for relief or if a petition against Tenant in a proceeding under the federal bankruptcy laws or other insolvency laws is filed and not withdrawn or dismissed within ninety (90) days thereafter, or if, under the provisions of any law providing for reorganization or winding up of corporations, any court of competent jurisdiction assumes jurisdiction, custody or control of Tenant or any substantial part of its property and such jurisdiction, custody or control remains in force unrelinquished, unstayed or unterminated for a period of ninety (90) days; or

26.1.7 Receivership. If, in any proceeding or action in which Tenant is a party, a trustee, receiver, agent or custodian is appointed to take charge of the Premises or Tenant's Property (or has the authority to do

so) for the purpose of enforcing a lien against the Premises or Tenant's Property, and such receiver isn't removed within sixty (60) days.

26.2 Remedies.

26.2.1 Landlord's Options. In the event of Tenant's default hereunder, then, in addition to any other rights or remedies Landlord may have under any law, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind, to do the following:

(a) Termination. Terminate this Lease and Tenant's right to possession of the Premises and reenter the Premises and take possession thereof, and Tenant shall have no further claim to the Premises under this Lease;

(b) Reentry Without Termination. Continue this Lease in effect, reenter and occupy the Premises for the account of Tenant and collect any unpaid Rent or other charges which have or therefore become due and payable; or

(c) Reentry and Termination. Reenter the Premises under the provisions of Section 26.2.1(b) above and thereafter elect to terminate this Lease and Tenant's right to possession of the Premises.

26.2.2 Rights Upon Reentry. If Landlord reenters the Premises under the provisions of Section 26.2.1, Landlord shall not be deemed to have terminated this Lease or the obligation of Tenant to pay any Rent or other charges thereafter accruing, unless Landlord notifies Tenant in writing of Landlord's election to terminate this Lease. In the event of any reentry or retaking of possession by Landlord, Landlord shall have the right, but not the obligation to remove all or any part of Tenant's Property in the Premises and to place such property in storage at a public warehouse at the expense and risk of Tenant. If Landlord elects to relet the Premises for the account of Tenant, the rent received by Landlord from such reletting shall, in the sole discretion of Landlord, be applied as follows: first, to the payment of any indebtedness other than Rent due hereunder from Tenant to Landlord; second; to the payment of any costs of such reletting; third, to the payment of the cost of any alterations and repairs to the Premises; fourth, to the payment of Rent due and unpaid hereunder; and the balance, if any, shall be held by Landlord and applied in payment of future Rent as it becomes due. If that portion of Rent received from the reletting which is applied against the

Rent due hereunder is less than the amount of the Rent due, Tenant shall pay the deficiency to Landlord promptly upon demand by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as determined, any costs and expenses incurred by Landlord in connection with such reletting or in making alterations and repairs to the Premises which are not covered by the rent received from the reletting. Tenant hereby waives all claims for damages that may be caused by Landlord's reentering and taking possession of the Premises or removing or storing Tenant's Property. No such reentry shall be considered to be a forcible entry.

26.2.3 Damages. Should Landlord elect to terminate this Lease under the provisions of Section 26.2.1, Landlord may recover as damages from Tenant the following:

(a) Past Rent. The worth at the time of the award of any unpaid Rent which has been earned at the time of termination; plus

(b) Rent Prior to Award. The worth at the time of the award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(c) Rent After Award. The worth at the time of the award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of rental loss that Tenant proves could be reasonably avoided; plus

(d) Pro-Rated Concessions. The cost of any unamortized rental concessions granted to Tenant as an inducement to enter into this Lease, including, but not limited to: (i) the difference between the fair market rental value of $1.90 per rentable foot of the Premises and the actual rent paid per Article 5 of this Lease; (ii) the cost of tenant improvements paid by Landlord; and (iii) brokerage commissions relating to the Lease paid by Landlord (For example, if the total value of the concessions granted by Landlord was $100,000.00, and Tenant defaults under this Lease after two (2) years of a five (5) year lease, Landlord could recover three-fifths (3/5), or sixty percent (60%), of the $100,000.00 in concessions, or $60,000.00 as part of Landlord's total damages.); plus

(e) Proximately-Caused Damages. Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform

its obligations under this Lease or which, in the ordinary course of things, would be likely to result therefrom, including, but not limited to, any costs or expenses (including attorneys' fees) incurred by Landlord in (i) retaking possession of the Premises; (ii) maintaining the Premises after Tenant's default; (iii) preparing the Premises for reletting to a new tenant, including any repairs or alterations; and (iv) reletting the Premises, including broker's commissions.

"The worth at the time of the award" as used in Sections 26.2.3(a) and (b) is to be computed by allowing interest at the lesser of fifteen percent (15%) per annum or the maximum rate permitted by law at the time of the award. "The worth at the time of the award" as used in Section 26.2.3(c) is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award plus one percent (1%).

26.2.4 Waiver. The waiver by Landlord of any breach of any term, covenant or condition of this Lease shall not be deemed a waiver of such term, covenant or condition. Acceptance of Rent by Landlord subsequent to any breach hereof shall not be deemed a waiver of any preceding breach other than the failure to pay the particular Rent so accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of Rent. Landlord shall not be deemed to have waived any term, covenant or condition unless Landlord gives Tenant written notice of such waiver.

26.3 Landlord's Default. If Landlord fails to perform any covenant, condition or agreement contained in this Lease within thirty (30) days after receipt of written notice from Tenant specifying such default, or if such default cannot reasonably be cured within thirty (30) days, if Landlord fails to commence to cure within that thirty (30) day period, then Landlord shall be liable to Tenant for any damages sustained by Tenant as a result of Landlord's breach; provided, however, it is expressly understood and agreed that if Tenant obtains a money judgment against Landlord resulting from any default or other claim arising under this Lease, that judgment shall be satisfied only out of Landlord's right, title and interest in the Project, and the rents, issues, profits and other income actually received on account of Landlord's right, title and interest in the Premises, Building or Project, and no other real, personal or mixed property of Landlord (or of any of the partners which comprise Landlord, if any), wherever situated, shall be subject to levy to satisfy such judgment. If, after notice to Landlord of default, Landlord

(or any first mortgagee or first deed of trust beneficiary of Landlord) fails to cure the default as provided herein, then Tenant shall have the right to cure that default at Landlord's expense and to offset any such reasonable costs incurred by Tenant against the next due Base Rent. Tenant shall not have the right to terminate this Lease or to withhold, reduce or offset any amount against any payments of Rent or any other charges due and payable under this Lease except as otherwise specifically provided herein.

26.4 No Merger. The termination of this Lease or the reentry of Landlord upon the Premises for any reason shall not work a merger of the leasehold into the fee estate.

27. RELOCATION OF PREMISES.

27.1 Substitute Premises. Landlord may, before or after the Commencement Date, elect by notice to Tenant to substitute for the Premises other office space in the Project (the "Substitute Premises") designated by Landlord, provided that the Substitute Premises shall be as commercially desirable as the Premises, shall contain at least the same Usable Area as the Premises and have a configuration substantially similar to the Premises. Landlord's notice shall be accompanied by a plan of the Substitute Premises, and such notice or plan shall set forth the Usable Area of the Substitute Premises. Tenant shall vacate and surrender the Premises and shall occupy the Substitute Premises promptly (and, in any event, not later than fifteen (15) days) after Landlord has Substantially Completed the work to be performed by Landlord in the Substitute Premises pursuant to Subsection 27.2 and performed its other obligations thereunder. Tenant shall pay the same Rent with respect to the Substitute Premises as was payable with respect to the Premises, without regard to the Usable Area of the Substitute Premises. This Lease shall remain in full force and effect, and the Substitute Premises shall thereafter be deemed to be the Premises; provided, however, that Tenant's Rent shall be abated to the extent Tenant's normal business operations are interrupted by such substitution.

27.2 Landlord's Obligations. Except as provided herein, Tenant shall not be entitled to any compensation for any inconvenience or interference with Tenant's business, nor to any abatement or reduction of the Rent, but Landlord shall, at Landlord's expense, do the following: (a) furnish and install in the Substitute Premises fixtures, equipment, improvements, appurtenances and Leasehold Improvements at least equal in kind and quality to those contained or to be

contained in the Premises at the time such notice of substitution is given by Landlord; (b) provide personnel to perform under Tenant's direction the moving of Tenant's Property from the Premises to the Substitute Premises; (c) promptly reimburse Tenant for Tenant's actual and reasonable out-of-pocket costs incurred in connection with the relocation of any telephone or other communications equipment from the Premises to the Substitute Premises; and (d) promptly reimburse Tenant for any other actual and reasonable out-of-pocket costs incurred by Tenant in connection with Tenant's move from the Premises to the Substitute Premises provided such costs are approved by Landlord in advance, which approval shall not be unreasonably withheld. Tenant agrees to cooperate with Landlord so as to facilitate the prompt completion by Landlord of its obligations under this Section and the prompt surrender by Tenant of the Premises. Without limiting the generality of the preceding sentence, Tenant agrees (a) to provide to Landlord promptly any approvals or instructions and any plans and specifications or any other information reasonably requested by Landlord and (b) to perform promptly in the Substitute Premises any work to be performed herein by Tenant to prepare the same for Tenant's occupancy.

28. SECURITY DEPOSIT.

Tenant will deposit with Landlord upon the execution of this Lease the Security Deposit as security for the full and faithful performance of every provision of this Lease to be performed by Tenant. Upon the addition of the First Expansion Space and in the event Tenant exercises its option to add the Second Expansion Space (as both such capitalized terms are hereinafter defined) to the Premises, Tenant shall, on the commencement date for such additional space, increase the amount of the Security Deposit by depositing with Landlord an amount equal to the first month's Base Rent for the First Expansion Space or the Second Expansion Space, as the case may be. If Tenant defaults with respect to any provision of this Lease, including payment of the Rent, Landlord may use, apply or retain all or any part of the Security Deposit for the payment of any Rent, or to compensate Landlord for any other loss, cost or damage which Landlord may suffer by reason of Tenant's default. If any portion of the Security Deposit is so used or applied Tenant shall, within five (5) days after notice thereof, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount, and Tenant's failure to do so shall be a breach of this Lease. Landlord shall not, unless otherwise required by law, be required to keep the Security Deposit separate

from its general funds, nor pay interest to Tenant. If Landlord is required to maintain the Security Deposit in an interest bearing account, Landlord shall retain the maximum amount permitted under applicable law as a bookkeeping and administrative charge. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the Security Deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last transferee of Tenants interest hereunder) at the expiration of the Term and upon Tenant's vacation of the Premises. If the Building is sold, the Security Deposit may be transferred to the new owner, as hereinabove provided, and Landlord shall be discharged from further liability with respect thereto.

29. TENANT'S OPTIONS FOR SPACE IN BUILDING

(a) On the first anniversary of the Commencement Date (the "First Expansion Space Commencement Date"), Tenant shall add to the Premises the 5,000 square feet of Rentable Area (the "First Expansion Space") on the sixth floor of the Building depicted on Exhibit "B." Tenant shall advise Landlord of its requirements for Tenant Improvements for the First Expansion Space. Landlord shall cause preliminary improvement plans to be prepared for the construction of Tenant Improvements for the First Expansion Space and delivered to Tenant for Tenant's review and approval within two (2) weeks thereafter. Within two (2) weeks after Tenant's review and approval thereof, Landlord shall cause construction plans to be prepared and delivered to Tenant for Tenant's review and approval. Landlord shall thereafter construct Tenant Improvements for the First Expansion Space in accordance with the terms and conditions hereunder for delivery of possession of the Premises on the Commencement Date and shall deliver possession of the First Expansion Space to Tenant not more than three (3) months after Tenant's approval of construction plans for the First Expansion Space. The Base Rent for the First Expansion Space shall be as set forth below:

Month of Term		Base Rent Amount
Months 1 - 30	$1.075	per square foot of Rentable Area/month
Months 31 - 60	$1.375	per square foot of Rentable Area/month
Months 61 - 90	$1.675	per square foot of Rentable Area/month
Months 95 - 120	$1.975	per square foot of Rentable Area/month

The Tenant Improvement Allowance for the First Expansion Space shall be $22.00 per square foot of Usable Area. Before commencement of construction of the Tenant Improvements therefor, Landlord and Tenant shall amend this Lease to reflect same.

(b) Tenant shall have an option to lease the remaining space (the "Second Expansion Space") on the sixth floor of the Building on the terms and conditions set forth below. Tenant may exercise such option by giving Landlord written notice thereof at any time prior to the second anniversary of the Commencement Date. Notwithstanding the option, during the option period, Landlord may, upon not less than ten (10) days' prior written notice to Tenant, enter into a lease or leases for all or any portion of the Second Expansion Space to a tenant or tenants; provided, however, that the term of any such lease shall in no case extend past the expiration of such option period without Tenant's prior written consent, and Landlord shall be responsible for causing such tenant or tenants to vacate the Second Expansion Space not later than the expiration of such option period if Tenant exercises its option to lease the Second Expansion Space. If, during the option period, prior to Tenant's exercise of its option, Landlord receives a bona fide offer from an unaffiliated third party for space that includes the Second Expansion Space, and no single space of the same size in the Project other than the Second Expansion Space is available for such Tenant, Landlord shall promptly deliver a copy of such offer to Tenant. Tenant shall have seven (7) days from the receipt of such offer in which to give Landlord notice of Tenant's exercise of its option to lease the Second Expansion Space (i) presently at the rate set forth in the offer or (ii) on a date selected by Tenant not later than six (6) months after the date of Tenant's notice of the exercise of such option at the prevailing market rate. If Tenant fails to give such notice within such seven (7) day period, Landlord may lease the second Expansion Space to the third party at a rate and on economic terms not more favorable than those set forth in the offer. Tenant's failure to deliver a notice of exercise to Landlord within such seven (7) day period shall not cause the option to terminate unless Landlord and such third party enter into a lease for the Second Expansion Space at a rate at or above the the rate of which Tenant was previously given notice. If Tenant leases the Second Expansion Space following an offer to lease by a third party, as described above, the Base Rent and Expense Stop for the Second Expansion Space shall be as set forth in such offer, and otherwise the Base Rent and the Expense Stop shall be determined as the "prevailing market rate" *for the Second Expansion Space*, as provided in Section 7.2. The Tenant Improvement allowance

shall be, in any case, $22.00 per square foot of Rentable Area. Following Tenant's delivery to Landlord of any such notice of Tenant's exercise of such option, Tenant shall advise Landlord of its requirements for Tenant Improvements for the Second Expansion Space. Landlord shall cause preliminary improvement plans to be prepared for the construction of Tenant Improvements for the Second Expansion Space and delivered to Tenant for Tenant's review and approval within two (2) weeks thereafter. Within two (2) weeks after Tenant's review and approval thereof, Landlord shall cause construction plans to be prepared and delivered to Tenant for Tenant's review and approval. Landlord shall thereafter construct Tenant Improvements for the Second Expansion Space in accordance with the terms and conditions hereunder for delivery of possession of the Premises and shall deliver possession of the Second Expansion Space to Tenant in accordance within three (3) months after Tenant's approval of construction plans for the Second Expansion Space. Before commencement of the construction of the Tenant Improvements therefor, Landlord and Tenant shall amend this Lease to add the Second Expansion Space to the Premises.

(c) The conditions set forth in Section 7.5 relating to the options to extend the Term set forth in Article 7 shall also constitute conditions precedent to Tenant exercise of the options set forth in this Article 29.

30. BROKERAGE FEES.

Landlord represents to Tenant that it has not employed, or dealt or negotiated with, any broker or real estate agent in connection with the execution and delivery of this Lease other than Cushman & Wakefield, Stephen Daniels Commercial Brokerage, Inc. and Grisham & Associates, Inc. Landlord represents, warrants, covenants and agrees that Landlord shall pay all fees, costs and expenses of the aforementioned brokers (other than pursuant to the Grisham Engagement Letter (as hereinafter defined)). Landlord agrees to indemnify and hold harmless Tenant from and against any and all claims, costs, expenses and liabilities arising out of or in connection with any breach of the foregoing representations and warranties by Landlord. Tenant represents to Landlord that it has not employed, or dealt or negotiated with, any broker or real estate agent in connection with the execution and delivery of the Lease other than Cushman & Wakefield, Stephen Daniels Commercial Brokerage, Inc. and Grisham & Associates, Inc. Tenant represents, warrants, covenants and agrees that Tenant shall pay all fees, costs and expenses payable to Grisham & Associations, Inc. pursuant to the engagement letter between

Tenant and Grisham & Associates, Inc. dated October 24, 1991 (the "Grisham Engagement Letter"). Tenant agrees to indemnify and hold harmless Landlord from and against any and all claims, costs, expenses and liabilities arising out of or resulting from any breach of the foregoing representations of Tenant.

31. RULES AND REGULATIONS.

Tenant shall abide by all rules and regulations promulgated by Landlord from time to time. The existing rules and regulations of the Building are attached as Exhibit "E" and are incorporated by reference.

32. NOTICES.

All notices, approvals and demands permitted or required to be given under this Lease shall be in writing and deemed duly served or given if personally delivered or sent by certified or registered U.S. Mail, postage prepaid, and addressed as follows: (a) if to Landlord, to Landlord's Mailing Address; and (b) if to Tenant, to Tenant's Mailing Address; provided, however, notices to Tenant shall be deemed duly served or given if delivered or mailed to Tenant at the Premises. Landlord and Tenant may, from time to time by notice to the other, designate another place for receipt of future notices.

33. GOVERNMENT ENERGY OR UTILITY CONTROLS.

In the event of imposition of federal, state or local government controls, rules, regulations or restrictions on the use or consumption of energy or other utilities during the Term, both Landlord and Tenant shall be bound thereby. In the event of a difference in interpretation by Landlord and Tenant of any such controls, the interpretation of Landlord shall prevail; and Landlord shall have the right to enforce compliance therewith, including the right of entry into the Premises to effect compliance.

34. QUIET ENJOYMENT.

Landlord covenants and represents that it has full right and power to execute and perform this Lease and to grant the estate demised herein, and covenants that Tenant on paying the rent herein reserved and performing the covenants hereof shall peaceably and quietly have, hold and enjoy the Premises and all appurtenances during the Lease Term. Landlord further covenants and represents that it

will on the Commencement Date place Tenant in actual possession of the Premises with the appurtenances thereto all in conformity with all applicable laws and ordinances.

35. OBSERVANCE OF LAW.

Tenant shall not use the premises or permit anything to be done in or about the premises which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, and with the requirements of any board of fire insurance underwriters or other similar bodies now or hereafter constituted, relating to or affecting the condition, use or occupancy of the Premises, excluding structural changes not related to or affected by Tenant's improvements or acts. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether or not Landlord is a party thereto, that Tenant has violated any law, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between Landlord and Tenant.

36. FORCE MAJEURE.

Any prevention, delay or stoppage of work to be performed by Landlord or Tenant which is due to strikes; labor disputes; inability to obtain labor, materials, equipment of reasonable substitutes therefor; Acts of God; governmental restrictions, regulations or controls; judicial orders; enemy or hostile government actions; terrorist or criminal actions; civil commotion; fire or other casualty, or other causes beyond the reasonable control of the party obligated to perform hereunder (financial inability expected) shall excuse performance of the work by that party for a period equal to the duration of that prevention, delay or stoppage. Except as otherwise provided in this Lease, nothing in this Article 36 shall excuse or delay Tenant's obligation to pay Rent or other charges under this Lease.

37. CURING TENANT'S DEFAULTS.

If Tenant defaults in the performance of any of its obligations under this Lease, Landlord may (but shall not be obligated to), without waiving such default, perform the same for the account at the expense of Tenant. Tenant shall pay Landlord all costs of such performance promptly upon receipt of a bill therefor.

38. SIGN CONTROL/BUILDING DIRECTORY.

Tenant shall not affix, paint, erect or inscribe any sign, projection, awning, signal or advertisement of any kind to any part of the Premises, Building or Project, including, without limitation, the inside or outside of windows or doors, without the written consent of Landlord, which consent shall not be unreasonably withheld so long as such signage is not visible from outside the Project, in which case any such signage shall be in accordance with the Sign Criteria, attached as Exhibit "F." Landlord shall have the right to remove any signs or other matter installed without Landlord's permission without being liable to Tenant by reason of such removal and to charge the cost of removal to Tenant as additional rent hereunder, payable within ten (10) days of written demand by Landlord. Notwithstanding, Tenant shall be entitled to two (2) strips on the Building Directory Board and shall be entitled to monument signage on the existing monument sign for the Building at a mutually agreed upon location thereon, all at Landlord's cost and expense. Tenant shall be entitled to "eyebrow signage" on the Building, of mutually acceptable style and location, in accordance with all signage criteria of Landlord and the City of Ontario, which eyebrow signage shall be at Tenant's sole cost and expense.

39. ACCORD AND SATISFACTION; ALLOCATION OF PAYMENTS.

No payment by Tenant or receipt by Landlord of a lesser amount than the Rent provided for in this Lease shall be deemed to be other than on account of the earliest due Rent, nor shall any endorsement or statement on any check or letter accompanying any check or payment as Rent be deemed an accord and satisfaction; and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of the Rent or pursue any other remedy provided for in this Lease. In connection with the foregoing, Landlord shall have the absolute right, in its sole discretion, to apply any payment received from Tenant to any account or other payment of Tenant then not current and due or delinquent.

40. ADDENDA.

If any provision contained in an addendum to this Lease is inconsistent with any other provision herein, the provision contained in the addendum shall control, unless otherwise provided in the addendum.

41. ATTORNEYS' FEES.

If any action or proceeding is brought by either party against the other pertaining to or arising out of this Lease, the finally prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, incurred on account of such action or proceeding.

42. CAPTIONS, ARTICLES AND SECTION NUMBERS.

The captions appearing within the body of this Lease have been inserted as a matter of convenience and for reference only and in no way define, limit or enlarge the scope or meaning of this Lease. All references to article and section numbers refer to articles and sections in this Lease.

43. CHOICE OF LAW.

This Lease shall be construed and enforced in accordance with the laws of the State.

44. CORPORATE AUTHORITY.

If Tenant is a corporation, each individual signing this Lease on behalf of Tenant represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of the corporation and that this Lease is binding on Tenant in accordance with its terms. Tenant shall, at Landlord's request, deliver a certified copy of a resolution of its board of directors authorizing such execution.

45. COUNTERPARTS.

This Lease may be executed in multiple counterparts, all of which shall constitute one and the same Lease.

46. EXECUTION OF LEASE; NO OPTION.

The submission of this Lease to Tenant shall be for examination purposes only and does not and shall not constitute a reservation of or option for Tenant to lease, or otherwise create any interest of Tenant in, the Premises or any other premises within the Building or Project. Execution of this Lease by Tenant and its return to Landlord shall not be binding on Landlord notwithstanding any time interval until Landlord has in fact signed and delivered this Lease to Tenant.

47. FURNISHING OF FINANCIAL STATEMENTS; TENANT'S REPRESENTATIONS.

In order to induce Landlord to enter into this Lease, Tenant agrees that it shall promptly furnish Landlord, no more frequently that once per quarter throughout the Term, upon Landlord's written request, with financial statements reflecting Tenant's current financial condition. Tenant represents and warrants that all financial statements, records and information furnished by Tenant to Landlord in connection with this Lease are true, correct and complete in all respects.

48. MORTGAGEE PROTECTION.

Tenant agrees to send, by certified or registered mail, to any first mortgagee or first deed of trust beneficiary of Landlord whose address has been furnished to Tenant, a copy of any notice of default served by Tenant on Landlord in accordance with the provisions hereof. If Landlord fails to cure such default within the time provided for in this Lease, such mortgagee or beneficiary shall have an additional thirty (30) days to cure such default; provided that if such default cannot reasonably be cured within that thirty (30) day period, then such mortgagee or beneficiary shall have such additional time to cure the default as is reasonably necessary under the circumstances.

49. RECORDING.

Tenant shall not record this Lease without the prior written consent of Landlord. Landlord, upon the request of Tenant shall execute and acknowledge a "short form" memorandum of this Lease for recording purposes.

50. SEVERABILITY.

A final determination by a court of competent jurisdiction that any provision of this Lease is invalid shall not affect the validity of any other provision, and any provision so determined to be invalid shall, to the extent possible, be construed to accomplish its intended effect.

51. SUCCESSORS AND ASSIGNS.

This Lease shall apply to and bind the heirs, personal representatives and permitted successors and assigns of the parties.

52. TIME OF THE ESSENCE.

Time is of the essence of this Lease.

53. WAIVER.

No delay or omission in the exercise of any right or remedy of Landlord upon any default by Tenant shall impair such right or remedy to be construed as a waiver of such default.

53.1 Delinquent Rent. The receipt and acceptance by Landlord of delinquent Rent shall not constitute a waiver of any other default; it shall constitute only a waiver of timely payment for the particular Rent payment involved.

53.2 Surrender. No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the Term. Only a written notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish a termination of the Lease.

53.3 Subsequent Acts. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant.

53.4 Waiver of Default. Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of the lease.

54. DISPUTES TO BE SETTLED BY ARBITRATION.

Any dispute, controversy or disputed claim arising under, in connection with or relating to this Lease, as well as any amendment, purported amendment or termination, or any breach or violation thereof, shall be finally settled and determined under and pursuant to arbitration as set forth in this Section 54.

(a) If one party by written notification requests the other that such matter be so determined:

(i) each party shall, within ten (10) business days thereafter, appoint an arbitrator and such party shall notify the other party of the name and address of the arbitrator so appointed;

(ii) if either party shall fail to make such appointment and to serve notice thereof within the time prescribed, then the appointment of

an arbitrator on behalf of such party shall be made in the same manner as provided in paragraph (a)(iv) of this Article

(iii) the arbitrators so appointed shall meet within ten (10) business days after the second arbitrator is appointed and render their decision within thirty (30) days therefrom; render their decision within thirty (30) days therefrom;

(iv) if for any reason such two arbitrators fail to agree on such matter within such period of thirty (30) days, they shall appoint a third arbitrator, and in the event of their failure to agree upon such third arbitrator within ten (10) business days after the time prescribed, either party on behalf of both may request such appointment by the presiding Judge of the San Bernardino Superior Court having jurisdiction in the City of Ontario for the appointment of such third arbitrator and the other party shall not raise any question as to the Court's full power and jurisdiction to entertain the application and make the appointment; and

(v) the determination of such matter by any two (2) of such three (3) arbitrators shall be given within a period of thirty (30) days (or such longer period as may be reasonable in light of the circumstances) after the appointment of the second or third arbitrator, as applicable, and shall in all cases be binding upon the parties. If any arbitrator shall die, become disqualified or incapacitated, or shall fail or refuse to act before such matter shall have been determined, then, in place of such arbitrator, an arbitrator shall promptly be appointed in the same manner as the arbitrator who shall have died or become disqualified or incapacitated, or who shall have failed or refused to act.

(b) All arbitration shall be finally determined in the City of Ontario and shall be governed (except for the method of selection of arbitrators) in accordance with the Rules of the American Arbitration Association (or any successor thereto); provided however, that notwithstanding any of the provisions of such rules the parties shall have the right to take depositions and to obtain discovery regarding the subject matter of the arbitration, and, to that end, to use and exercise all of the same rights, remedies and procedures, and be subject to

all of the same duties, liabilities and obligations in the arbitration with respect to the subject matter thereof, as are set out in the California Code of Civil Procedure, as if the subject matter of the arbitration were pending in a civil action before a superior court of the State. This agreement to arbitrate shall be self-executing without the necessity of filing any action in any court and shall be specifically enforceable under the prevailing arbitration law.

(c) The decision of the arbitrators shall be final and binding on both parties and may be enforced in any court having jurisdiction thereof whether or not one party fails to appear in the arbitration proceeding. All awards may be filed with the clerk of one or more courts, state or federal, having jurisdiction over the party of its property against whom such an award is rendered, and such filing shall serve as a basis of judgment and of the issuance of execution for its collection.

and shall pay all costs and fees, including reasonable attorneys fees, of the prevailing party.

(d) Nothing in this Lease shall be deemed to prevent the arbitration panel from exercising authority to permit exercise by a party of its legal remedies, and it is understood by the parties that it is not intended in this Lease that there be a waiver of a party's right to any remedy which may be enforced through arbitration, specifically including, but not by way of limitation, the right of setoff, injunctive relief or specific performance.

55. MISCELLANEOUS.

The Lease is also governed by the following: (a) no provision shall be construed to create any joint venture, partnership or agency relationship between the parties or any of their respective Related Parties; (b) whenever required, all references to the singular shall include the plural, and references to the male gender shall include the female gender, and vice versa; and (c) no rule of strict construction shall be applied against any party. Unless otherwise specifically provided, all references to Sections, Articles and Exhibits shall be to the Sections, Articles and Exhibits hereof and hereto. All Exhibits hereto are incorporated herein by the references thereto in this Lease.

56. VIEW RIGHTS.

Landlord does not warrant that any view from the Premises will not be disturbed during the Lease term. Tenant acknowledges that there is substantial construction anticipated in the location of the Building, and such construction could conceivably obstruct any view currently seen from the Premises.

57. NONDISCRIMINATION.

Tenant herein covenants by and for itself, its Related Parties and all persons claiming under or through it, and this Lease is made and accepted upon and subject to the following conditions: that there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, sex, creed, national origin or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the Premises herein leased; nor shall Tenant itself, nor any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Premises.

58. PRIOR AGREEMENTS; AMENDMENTS.

This Lease contains all of the agreements of the parties with respect to any matter covered or mentioned in this Lease, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose. No provisions of this Lease may be amended or added to except by an agreement in writing signed by the parties or their respective successors in interest.

The parties hereto have executed this Lease as of the dates set forth below.

"LANDLORD"

ONTARIO LAKESHORE PARTNERS, L.P.,
a California limited partnership

By: Ontario Shore Partners, L.P.,
a California limited partnership,
general partner

By: Centremark, a California
general partnership,
general partner

By: Cruz Properties, Inc.,
a California corporation,
general partner

By: _____
Dennis S. Cruzan, President

By: Structural Equities, Inc., a
California corporation,
general partner

By: _____
Steven L. Black, President

"TENANT"

Curaflex Health Services, Inc.,
a Delaware corporation

By: _____

Its: _____

EXHIBIT "A"

Commencement Date Amendment

EXHIBIT "A"

CURAFLEX HEALTH SERVICES, INC.

FIRST AMENDMENT TO LEASE

That lease (the "Lease") between Ontario Lakeshore Partners, L.P., a California limited partnership, as Landlord, and Curaflex Health Services, Inc., a Delaware corporation, as Tenant, dated as of July 19, 1991 is amended as follows:

1. The Commencement Date, defined in Section 2.2 of the Lease, is _____.

All other terms and conditions of the Lease shall remain in full force and effect.

LANDLORD:

ONTARIO LAKESHORE PARTNERS, L.P., a California limited partnership

By: Ontario Shore Partners, L.P., a California limited partnership, general partner

By: Centremark, a California general partnership, general partner

By: Cruz Properties, Inc., a California corporation, general partner

By:_____
Dennis S. Cruzan, President

By: Structural Equities, Inc., a California corporation, general partner

By:_____
Steven L. Black, President

TENANT:

CURAFLEX HEALTH SERVICES, INC.,
a Delaware corporation

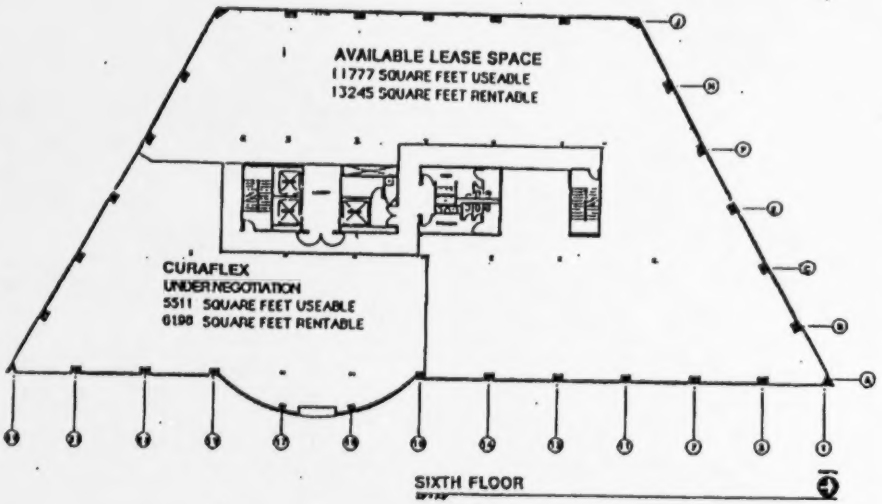
By:_____
Its:

_____ _____
Tenant Landlord

EXHIBIT "B"

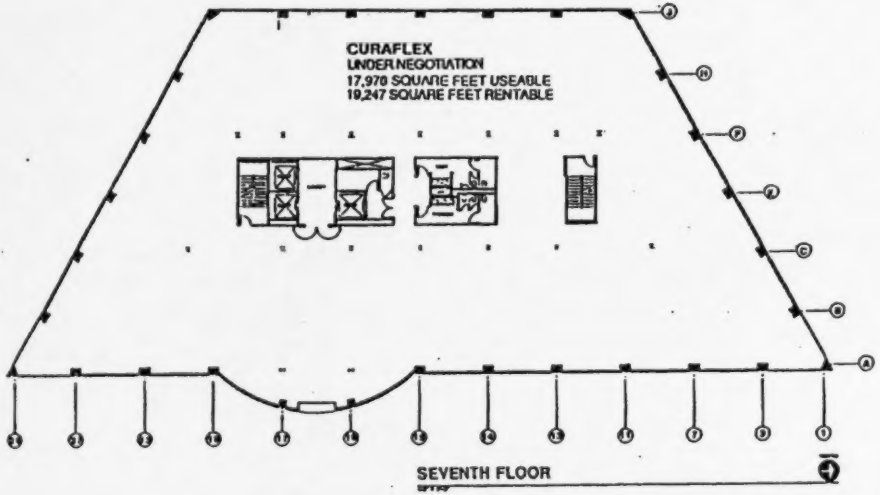
Floor Plan

EXHIBIT B-1



MARCH 1992

EXHIBIT B-2



JANUARY 1992

EXHIBIT "C"

Site Plan

EXHIBIT "C"

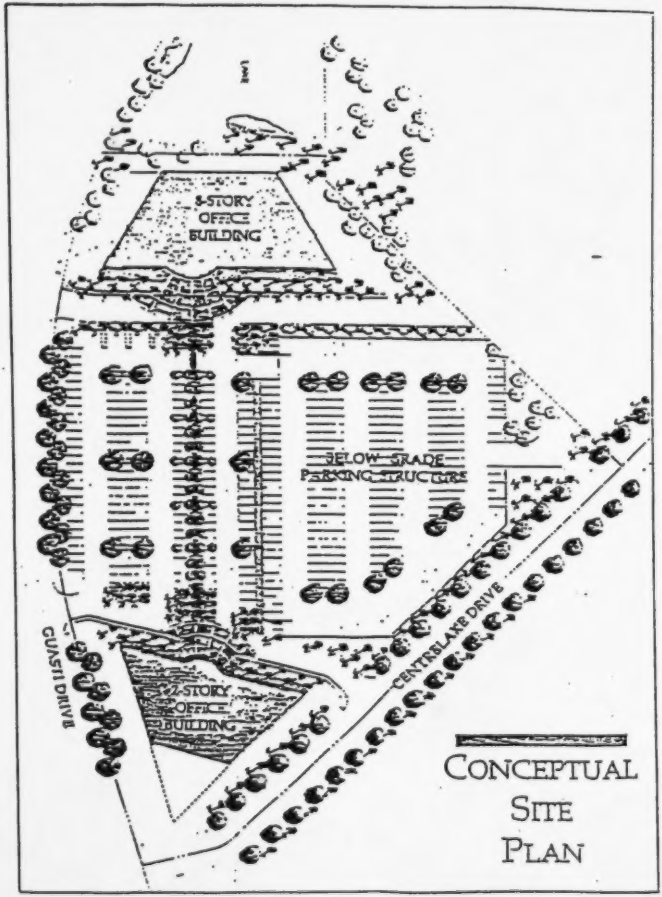

8-STORY
OFFICE
BUILDING
BELOW-GRADE
PARKING STRUCTURE
2-STORY
OFFICE
BUILDING
GUASTI DRIVE
CENTERLAKE DRIVE
CONCEPTUAL
SITE
PLAN

EXHIBIT "D"

Work Letter Agreement

EXHIBIT "D"
WORK LETTER AGREEMENT
(IMPROVEMENT ALLOWANCE)

Gentlemen:

You (hereinafter called "Tenant") and we (hereinafter called 'Landlord") are executing simultaneously with this work letter agreement ("Work Letter"), a written lease (the "Lease") covering those certain premises more particularly described in Exhibit "B" to the Lease (hereinafter referred to as "Premises").

In consideration of Tenant entering into the Lease, and in consideration of the mutual covenants hereinafter contained, Landlord and Tenant mutually agree as follows:

1. Appointment of Representatives.

Landlord hereby appoints Jack Stouse (619) 535-2700 of Centremark as Landlord's representative ("Landlord's Representative") to act for Landlord in all matters covered by the Work Letter. Tenant appoints Kevin Higgins (714) 941-3430 as Tenant's representative ("Tenant's Representative") to act for Tenant in all matters covered by the Work Letter. All inquiries, requests, instructions, authorizations and other communications with respect to the matters covered by this Work Letter will be made to Landlord's Representative or Tenant's Representative, as the case may be. Tenant will not make any inquiries of or requests to, and will not give any instructions or authorizations to any other employee of agent of Landlord, including Landlord's architect, engineers and contractors or any of their agents or employees with regard to matters covered by this Work Letter. Either Landlord or Tenant may change its representative at any time by written notice to the other.

2. Plans and Specifications for the Premises.

Within three (3) business days after Tenant receives a copy of the Lease executed by Landlord, Tenant will meet with Landlord's space planner and provide such information as may be necessary to enable Landlord's space planner to prepare detailed space plans and specifications for the Premises which shall include, but shall not be limited to, locations of doors, partitioning, reflected ceiling, electrical fixtures, outlets and switches, telephone outlets, plumbing fixtures, extraordinary floor loads, and other special requirements (the "Preliminary Plans") for the construction of the "Leasehold

Improvements". The Preliminary Plans shall be prepared by Landlord's space planner and delivered to Tenant within seven (7) business days thereafter. Within three (3) business days after receipt of the Preliminary Plans, Tenant shall notify Landlord's space planner of any corrections or modifications which Tenant desires. Within four (4) business days thereafter, Landlord's space planner shall make such corrections or modifications and deliver the Preliminary Plans to Tenant. Tenant shall approve the Preliminary Plans in writing three (3) business days thereafter, and return the Preliminary Plans to Landlord. The Preliminary Plans shall be specific enough for Landlord to obtain construction bids and to prepare the Cost Estimate (defined below).

(a) All working drawings shall be prepared by Landlord's space planner. The working drawings shall include architectural, mechanical, and electrical drawings for the Leasehold Improvements as described in Section 2 hereof.

(b) If Tenant selects interior finish items such as wall paint or coverings, fixtures, and carpeting other than Landlord's Building Standard items (a copy of a list of which Building Standard items is attached as Exhibit 1 to this Work Letter), Tenant shall notify Landlord of all such selections in writing within five (5) business days after the approved Preliminary Plans are delivered to Landlord. Whether and the extent to which any of the Leasehold Improvements constitute Non-Building Standard Work shall be determined by Landlord's space planner, which determination shall be conclusive.

(c) All plans, specifications and drawings referred to in this Section 2 are subject to Landlord's approval, which approval shall not be unreasonably withheld or delayed.

(d) Landlord shall ensure that the plans and specifications for the Leasehold Improvements shall not be in conflict with the building codes for the city in which the Premises are located or with insurance regulations for a fire resistive Class A building. All plans and specifications shall be in a form satisfactory to appropriate governmental authorities responsible for issuing permits and licenses required for construction, and Landlord shall be responsible therefor. Landlord shall obtain all necessary permits and licenses required for construction.

3. Construction of Leasehold Improvements.

Landlord agrees to have constructed the Leasehold Improvements as indicated on the approved plans, specifications and drawings.

4. Tenant Improvement Allowance.

(a) Landlord shall provide to Landlord shall provide Tenant with a monetary allowance (the "Tenant Improvement Allowance") to be applied toward the cost of constructing the Leasehold Improvements.

(b) Subject to Section 11.1 of the Lease, the Tenant Improvement Allowance shall be $634,203.00 (which is the product of 23,489 square feet of Usable Area in the Premises times $27.00 per usable square foot of Usable Area) to be credited by Landlord toward the "Costs" of constructing the Leasehold Improvements. As used herein, the term "Costs" shall mean and refer to all costs expended by Landlord relative to the construction of the Leasehold Improvements, which shall include, but shall not be limited to, costs of equipment, material and labor; contractor's field overhead, fees and standard general conditions; costs of preparation of preliminary space plans and specifications or working drawings; governmental agency fees; costs of any requirements regarding construction which are imposed by any federal, state or local governmental entity or agency which are not reflected in the approved Preliminary Plans or working drawings for the Leasehold Improvements; sales and use taxes (but not real property taxes); permits; plan check fees; bonds and other costs directly related to the construction of the Leasehold Improvements. Notwithstanding, Costs shall not include costs required to cause the Premises to comply with any legal requirements (other than those specifically resulting from Tenant's special requirements for the Leasehold Improvements), costs incurred in connection with building service equipment, legal fees arising from any construction disputes, mechanics' lien bond premiums, overtime charges, and penalties or late charges arising from Landlord's failure to pay construction costs. If Landlord or Landlord's affiliate performs the construction, Landlord (or such affiliate) shall receive an amount equal to a standard contractor fee and general conditions, which fees shall not be duplicative of any fees paid to any third party contractor or exceed the amount payable to any third party contractor if a contract for the construction were let in a competitive bidding process.

(c) After approval of the Preliminary Plans, Landlord shall prepare and deliver to Tenant as soon as reasonably possible, an estimate of the Costs of the Leasehold Improvements (the "Cost Estimate"). (Landlord has previously delivered to Tenant a preliminary cost estimate, and Landlord agrees that the amount of the Cost Estimate will not exceed the amount of the preliminary cost estimate.) Tenant shall deliver its written approval, disapproval or modifications to the Cost Estimate to Landlord within three (3) business days after receipt of the Cost Estimate together with payment of one-half (1/2) of that portion of the Cost Estimate, if any, which is in excess of the Tenant Improvement Allowance. The remaining one-half (1/2) of such costs shall be paid by Tenant upon occupancy of the Premises. Any disapproved items shall be eliminated from the Leasehold Improvements, so long as such elimination does not cause the Leasehold Improvements to be in conflict with any governmental requirements. The Cost Estimate shall be binding on Landlord and Tenant and the Costs to which the Tenant Improvement Allowance shall be credited and which Tenant will be obligated to pay if such Costs exceed the Tenant Improvement Allowance shall not exceed the amount of the Cost Estimate, subject to any increases in Costs resulting from changes made by Tenant in accordance with Section 5 of this Work Letter or any costs resulting from Tenant Delay as defined in the Lease). Simultaneously with the delivery of the Cost Estimate Landlord shall provide Tenant with a construction schedule for the completion of the Leasehold Improvements. Landlord will use its best efforts to comply with the construction schedule, which will be subject to revision resulting from any changes made pursuant to Section 5 of this Work Letter or from Tenant Delay or matters beyond Landlord's control.

5. Change Orders.

Tenant may authorize changes in the work during construction only by written instructions to Landlord's Representative on a form approved by Landlord (in that format attached as Exhibit 2 to this Work Letter). All such changes will be subject to Landlord's prior written approval. Before commencing any change, Landlord will prepare and deliver to Tenant, for Tenant's approval, a change order setting forth the cost of such change, which will include associate architectural, engineering and construction contractor's fees, if any. If Tenant fails to approve such change order within five (5) business days, Tenant will be deemed to have withdrawn the proposed change and Landlord will not proceed to perform the change. If Tenant timely approves such change order, Tenant will immediately pay to Landlord any amounts payable by Tenant in connection with the change order as provided in this Section.

6. Completion and Rental Commencement Date.

The provisions of Sections 2.15 and 2.16 of the Lease are further explained and clarified as follows:

It is agreed that Tenant's obligation for the payment of rental under the Lease shall not commence until Landlord has substantially completed all work to be performed by Landlord as hereinabove set forth in Section 3, provided, however, that if Landlord shall be delayed in substantially completing said work as a result of:

(a) Tenant's failure to approve or finish its space plans and specifications by the times specified in Section 2 above;

(b) Delays of any nature, whether or not within Tenant's control, resulting from Tenant's decision to use any materials, finishes or installations other than Building Standard;

(c) Tenant's changes in its space plans and specifications after approval and delivery of same to Landlord;

(d) A delay in performance as a result of Tenant's failure to approve written estimates of the costs of the Leasehold improvements or substituted materials in accordance with Section 2 hereof;

(e) Changes in the work requested by or on behalf of Tenant or orders to halt or delay the work by or on behalf of Tenant; or

(f) Any other delay of any kind or nature caused by Tenant, its employees, agents or contractors, then the term of the Lease hall commence on the date the Leasehold Improvements would have been completed but for such delay, regardless of any contrary provisions of the Lease.

7. Responsibility for Design.

Tenant will be responsible for the design, function and maintenance of all improvements which are not made in connection with this Work Letter, whether or not approved by Landlord or installed by Landlord at Tenant's request. Landlord's preparation of the Tenant working drawings will not constitute any representation or warranty as to the adequacy, efficiency, performance or desirability of any space layout or improvements.

LANDLORD:

Ontario Lakeshore Partners, L.P.,
a California limited partnership

By: Centremark, a California general partnership,
general partner

By: Cruz Properties, Inc., a California corporation,
general partner

By: _____
Dennis S. Cruzan, President

By: Structural Equities, Inc., a California
corporation, general partner

By: _____
Steven L. Black, President

ACCEPTED:

TENANT:

Curaflex Health Services, Inc.,
a Delaware corporation

By: _____

Its: _____

EXHIBIT "D"
WORK LETTER AGREEMENT
(IMPROVEMENT ALLOWANCE)

Gentlemen:

You (hereinafter called "Tenant") and we (hereinafter called 'Landlord") are executing simultaneously with this work letter agreement ("Work Letter"), a written lease (the "Lease") covering those certain premises more particularly described in Exhibit "B" to the Lease (hereinafter referred to as "Premises").

In consideration of Tenant entering into the Lease, and in consideration of the mutual covenants hereinafter contained, Landlord and Tenant mutually agree as follows:

1. Appointment of Representatives.

Landlord hereby appoints Jack Stouse (619) 535-2700 of Centremark as Landlord's representative ("Landlord's Representative") to act for Landlord in all matters covered by the Work Letter. Tenant appoints Kevin Higgins (714) 941-3430 as Tenant's representative ("Tenant's Representative") to act for Tenant in all matters covered by the Work Letter. All inquiries, requests, instructions, authorizations and other communications with respect to the matters covered by this Work Letter will be made to Landlord's Representative or Tenant's Representative, as the case may be. Tenant will not make any inquiries of or requests to, and will not give any instructions or authorizations to any other employee of agent of Landlord, including Landlord's architect, engineers and contractors or any of their agents or employees with regard to matters covered by this Work Letter. Either Landlord or Tenant may change its representative at any time by written notice to the other.

2. Plans and Specifications for the Premises.

Within three (3) business days after Tenant receives a copy of the Lease executed by Landlord, Tenant will meet with Landlord's space planner and provide such information as may be necessary to enable Landlord's space planner to prepare detailed space plans and specifications for the Premises which shall include, but shall not be limited to, locations of doors, partitioning, reflected ceiling, electrical fixtures, outlets and switches, telephone outlets, plumbing fixtures, extraordinary floor loads, and other special requirements (the "Preliminary Plans") for the construction of the "Leasehold

Improvements". The Preliminary Plans shall be prepared by Landlord's space planner and delivered to Tenant within seven (7) business days thereafter. Within three (3) business days after receipt of the Preliminary Plans, Tenant shall notify Landlord's space planner of any corrections or modifications which Tenant desires. Within four (4) business days thereafter, Landlord's space planner shall make such corrections or modifications and deliver the Preliminary Plans to Tenant. Tenant shall approve the Preliminary Plans in writing three (3) business days thereafter, and return the Preliminary Plans to Landlord. The Preliminary Plans shall be specific enough for Landlord to obtain construction bids and to prepare the Cost Estimate (defined below).

(a) All working drawings shall be prepared by Landlord's space planner. The working drawings shall include architectural, mechanical, and electrical drawings for the Leasehold Improvements as described in Section 2 hereof.

(b) If Tenant selects interior finish items such as wall paint or coverings, fixtures, and carpeting other than Landlord's Building Standard items (a copy of a list of which Building Standard items is attached as Exhibit 1 to this Work Letter), Tenant shall notify Landlord of all such selections in writing within five (5) business days after the approved Preliminary Plans are delivered to Landlord. Whether and the extent to which any of the Leasehold Improvements constitute Non-Building Standard Work shall be determined by Landlord's space planner, which determination shall be conclusive.

(c) All plans, specifications and drawings referred to in this Section 2 are subject to Landlord's approval, which approval shall not be unreasonably withheld or delayed.

(d) Landlord shall ensure that the plans and specifications for the Leasehold Improvements shall not be in conflict with the building codes for the city in which the Premises are located or with insurance regulations for a fire resistive Class A building. All plans and specifications shall be in a form satisfactory to appropriate governmental authorities responsible for issuing permits and licenses required for construction, and Landlord shall be responsible therefor. Landlord shall obtain all necessary permits and licenses required for construction.

3. Construction of Leasehold Improvements.

Landlord agrees to have constructed the Leasehold Improvements as indicated on the approved plans, specifications and drawings.

4. Tenant Improvement Allowance.

(a) Landlord shall provide to Landlord shall provide Tenant with a monetary allowance (the "Tenant Improvement Allowance") to be applied toward the cost of constructing the Leasehold Improvements.

(b) Subject to Section 11.1 of the Lease, the Tenant Improvement Allowance shall be $634,203.00 (which is the product of 23,489 square feet of Usable Area in the Premises times $27.00 per usable square foot of Usable Area) to be credited by Landlord toward the "Costs" of constructing the Leasehold Improvements. As used herein, the term "Costs" shall mean and refer to all costs expended by Landlord relative to the construction of the Leasehold Improvements, which shall include, but shall not be limited to, costs of equipment, material and labor; contractor's field overhead, fees and standard general conditions; costs of preparation of preliminary space plans and specifications or working drawings; governmental agency fees; costs of any requirements regarding construction which are imposed by any federal, state or local governmental entity or agency which are not reflected in the approved Preliminary Plans or working drawings for the Leasehold Improvements; sales and use taxes (but not real property taxes); permits; plan check fees; bonds and other costs directly related to the construction of the Leasehold Improvements. Notwithstanding, Costs shall not include costs required to cause the Premises to comply with any legal requirements (other than those specifically resulting from Tenant's special requirements for the Leasehold Improvements), costs incurred in connection with building service equipment, legal fees arising from any construction disputes, mechanics' lien bond premiums, overtime charges, and penalties or late charges arising from Landlord's failure to pay construction costs. If Landlord or Landlord's affiliate performs the construction, Landlord (or such affiliate) shall receive an amount equal to a standard contractor fee and general conditions, which fees shall not be duplicative of any fees paid to any third party contractor or exceed the amount payable to any third party contractor if a contract for the construction were let in a competitive bidding process.

(c) After approval of the Preliminary Plans, Landlord shall prepare and deliver to Tenant as soon as reasonably possible, an estimate of the Costs of the Leasehold Improvements (the "Cost Estimate"). (Landlord has previously delivered to Tenant a preliminary cost estimate, and Landlord agrees that the amount of the Cost Estimate will not exceed the amount of the preliminary cost estimate.) Tenant shall deliver its written approval, disapproval or modifications to the Cost Estimate to Landlord within three (3) business days after receipt of the Cost Estimate together with payment of one-half (1/2) of that portion of the Cost Estimate, if any, which is in excess of the Tenant Improvement Allowance. The remaining one-half (1/2) of such costs shall be paid by Tenant upon occupancy of the Premises. Any disapproved items shall be eliminated from the Leasehold Improvements, so long as such elimination does not cause the Leasehold Improvements to be in conflict with any governmental requirements. The Cost Estimate shall be binding on Landlord and Tenant and the Costs to which the Tenant Improvement Allowance shall be credited and which Tenant will be obligated to pay if such Costs exceed the Tenant Improvement Allowance shall not exceed the amount of the Cost Estimate, subject to any increases in Costs resulting from changes made by Tenant in accordance with Section 5 of this Work Letter or any costs resulting from Tenant Delay as defined in the Lease). Simultaneously with the delivery of the Cost Estimate Landlord shall provide Tenant with a construction schedule for the completion of the Leasehold Improvements. Landlord will use its best efforts to comply with the construction schedule, which will be subject to revision resulting from any changes made pursuant to Section 5 of this Work Letter or from Tenant Delay or matters beyond Landlord's control.

5. Change Orders.

Tenant may authorize changes in the work during construction only by written instructions to Landlord's Representative on a form approved by Landlord (in that format attached as Exhibit 2 to this Work Letter). All such changes will be subject to Landlord's prior written approval. Before commencing any change, Landlord will prepare and deliver to Tenant, for Tenant's approval, a change order setting forth the cost of such change, which will include associate architectural, engineering and construction contractor's fees, if any. If Tenant fails to approve such change order within five (5) business days, Tenant will be deemed to have withdrawn the proposed change and Landlord will not proceed to perform the change. If Tenant timely approves such change order, Tenant will immediately pay to Landlord any amounts payable by Tenant in connection with the change order as provided in this Section.

6. Completion and Rental Commencement Date.

The provisions of Sections 2.15 and 2.16 of the Lease are further explained and clarified as follows:

It is agreed that Tenant's obligation for the payment of rental under the Lease shall not commence until Landlord has substantially completed all work to be performed by Landlord as hereinabove set forth in Section 3, provided, however, that if Landlord shall be delayed in substantially completing said work as a result of:

(a) Tenant's failure to approve or finish its space plans and specifications by the times specified in Section 2 above;

(b) Delays of any nature, whether or not within Tenant's control, resulting from Tenant's decision to use any materials, finishes or installations other than Building Standard;

(c) Tenant's changes in its space plans and specifications after approval and delivery of same to Landlord;

(d) A delay in performance as a result of Tenant's failure to approve written estimates of the costs of the Leasehold improvements or substituted materials in accordance with Section 2 hereof;

(e) Changes in the work requested by or on behalf of Tenant or orders to halt or delay the work by or on behalf of Tenant; or

(f) Any other delay of any kind or nature caused by Tenant, its employees, agents or contractors, then the term of the Lease hall commence on the date the Leasehold Improvements would have been completed but for such delay, regardless of any contrary provisions of the Lease.

7. Responsibility for Design.

Tenant will be responsible for the design, function and maintenance of all improvements which are not made in connection with this Work Letter, whether or not approved by Landlord or installed by Landlord at Tenant's request. Landlord's preparation of the Tenant working drawings will not constitute any representation or warranty as to the adequacy, efficiency, performance or desirability of any space layout or improvements.

LANDLORD:

Ontario Lakeshore Partners, L.P.,
a California limited partnership

By: Centremark, a California general partnership,
general partner

By: Cruz Properties, Inc., a California corporation,
general partner

By: _____
Dennis S. Cruzan, President

By: Structural Equities, Inc., a California
corporation, general partner

By: _____
Steven L. Black, President

ACCEPTED:

TENANT:

Curaflex Health Services, Inc.,
a Delaware corporation

By: _____

Its: _____

EXHIBIT "E"

Rules and Regulations

EXHIBIT "E"
RULES AND REGULATIONS
Curaflex Health Services, Inc.

1. No sign, placard, picture, advertisement, name or notice shall be installed or displayed on any part of the outside or inside of the Building without the prior written consent of Landlord. Landlord shall have the right to remove, at Tenant's expense and without notice, any sign installed or displayed in violation of this rule. All approved signs or lettering on doors and walls shall be printed, painted, affixed or inscribed at the expense of Tenant by a person chosen by Landlord, using materials of Landlord's choice and in a style and format approved by Landlord.

2. Tenant must use Landlord's blinds in all exterior and atrium window offices. No awning or other projections shall be permitted on any part of the Premises. Tenant shall not place anything against or near glass partitions or doors or windows which may appear unsightly from outside the Premises.

3. Tenant shall not obstruct any sidewalks, halls, passages, exits, entrances, elevators or stairways of the Building. The halls, passages, exits, entrances, elevators and stairways are not for the general public, and Landlord shall in all cases retain the right to control and prevent access thereto of all persons whose presence, in the judgment of Landlord, would be prejudicial to the safety, character, reputation and interest of the Building and its tenants; provided that nothing herein contained shall be construed to prevent such access to persons with whom any tenant normally deals in the ordinary course of its business, unless such persons are engaged in illegal activities. No tenant and no employee or invitee of any tenant shall go up on the roof of the Building.

4. The directory of the Building will be provided exclusively for the display of the name and location of tenants only, and Landlord reserves the right to exclude any other names therefrom.

5. All cleaning and janitorial services for the Building and the Premises shall be provided exclusively through Landlord, and except with the written consent of Landlord, no person or persons other than those approved by Landlord shall be employed by Tenant or permitted to enter the Building for the purposes of cleaning the same. Tenant shall not cause any unnecessary labor by carelessness or indifference to the good order and cleanliness of the Premises. Landlord shall not in any way be responsible to any tenant for any loss of property on the Premises, however occurring, or for any damage to any tenant's property by the janitor or any other employee or any other person.

6. Landlord shall furnish Tenant, free of charge, with one key to each door lock in the Premises. Landlord may make a reasonable charge for any additional keys. Tenant shall not make or have made additional keys, and Tenant shall not alter any lock or install a new additional lock or bolt on any door of its Premises. Tenant, upon the termination of its tenancy, shall deliver to Landlord the keys of all doors which have been furnished to Tenant, and in the event of loss of any keys so furnished shall pay Landlord therefor. All doors to the common area, corridors and elevator vestibules shall remain closed at all times, unless otherwise designated by Landlord.

7. Access to the Building at times other than during Normal Business Hours will require use of a security access card, one of which will be issued by Landlord for each employee of Tenant for which Tenant requests such a security access card. Landlord shall impose for each such card a separate charge in the form of a refundable deposit, to be refunded by Landlord to Tenant upon Tenant's return of said card(s) to Landlord.

8. If Tenant requires telegraphic, telephonic, burglar alarm or similar services, it shall first obtain, and comply with, Landlord's instructions in their installation.

9. Any freight elevator shall be available for use by all tenants in the Building, subject to such reasonable scheduling as Landlord, in its discretion, shall deem appropriate. No equipment, materials, furniture, packages, supplies, merchandise or other property will be received in the Building or carried in the elevators except between such hours and in such elevators as may be designated by Landlord. Moving into and out of the Building shall occur on weekends only and shall be scheduled with the Building Manager.

10. Tenant shall not place a load upon any floor of the Premises which exceeds the load per square foot which such floor was designed to carry and which is allowed by law. Landlord shall have the right to prescribe the weight, size and position of all equipment, materials, furniture or other property brought into the Building. Heavy objects, if such objects are considered necessary by Tenant, as determined by Landlord, shall stand on such platforms as determined by Landlord to be necessary to properly distribute the weight. Business machines and mechanical equipment belonging to Tenant, which cause noise or vibration that may be transmitted to the structure of the Building or to any space within to such a degree as to be objectionable to Landlord or to any tenants in the Building, shall be placed and maintained by Tenant, at Tenant's expense, on vibration eliminators or other devices sufficient to eliminate noise or vibration. The persons employed to move such equipment in or out of the Building must be acceptable to Landlord.

Landlord will not be responsible for loss of, or damage to, any such equipment or other property from any cause, and all damage done to the Building by maintaining or moving such equipment or other property shall be repaired at the expense of Tenant.

11. Tenant shall not use or keep in the Premises any kerosene, gasoline or inflammable or combustible fluid or material other than those limited quantities necessary for the operation or maintenance of office equipment. Tenant shall not use or permit to be used in the Premises any foul or noxious gas or substance, or permit or allow the Premises, the Building or Project, to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, behavior, odors or vibrations, nor shall Tenant bring into or keep in or about the Premises any birds or animals.

12. Tenant shall not use any method of heating or air-conditioning other than that supplied by Landlord.

13. Tenant shall not waste electricity, water or air-conditioning and agrees to cooperate fully with Landlord to assure the most effective operation of the Building's heating and air-conditioning and to comply with any governmental energy-saving rules, laws or regulations of which Tenant has actual notice, and shall refrain from attempting to adjust controls other than room thermostats installed for Tenant's use. Tenant shall keep corridor doors closed, and shall close window coverings at the end of each business day.

14. Landlord reserves the right to exclude from the Building between the hours of 6:00 p.m. and 7:00 a.m. the following day, or such other hours as may be established from time to time by Landlord, and on Sundays and legal holidays, any person unless that person is known to the person or employee in charge of the Building and has a pass or is properly identified. Tenant shall be responsible for all persons for whom it requests passes and shall be liable to Landlord for all acts of such persons. Landlord shall not be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. Landlord reserves the right to prevent access to the Building in case of invasion, mob, riot, public excitement or other commotion by closing the doors or by other appropriate actions.

15. Tenant shall close and lock the doors of its Premises and entirely shut off all water faucets or other water apparatus, and electricity, gas or air outlets before Tenant and its employees leave the Premises. Tenant shall be responsible for any damage or injuries sustained by other tenants or occupants of the Building or by Landlord for noncompliance with this rule.

16. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the tenant who, or whose employees or invitees, shall have caused it.

17. Tenant shall not sell, or permit the sale at retail, of newspapers, magazines, periodicals, theater tickets or any other goods or merchandise to the general public in or on the Premises. Tenant shall not make any room-to-room solicitation of business from other tenants in the Building. Tenant shall not use the Premises for any business or activity other than that specifically provided for in Tenant's Lease.

18. Tenant shall not install any radio or television antenna, loudspeaker or other device on the roof or exterior walls of the Building. Tenant shall not interfere with radio or television broadcasting or reception from or in the Building or elsewhere.

19. Tenant shall not mark, drive nails, screw or drill into the partitions, woodwork or plaster or in any way deface the Premises or any part hereof, except to install normal wall hangings. Landlord reserves the right to direct electricians as to where and how telephone and telegraph wires are to be introduced to the Premises. Tenant shall not cut or bore holes for wires. Tenant shall not affix any floor covering to the floor of the Premises in any manner except as approved by Landlord. Tenant shall repair any damage resulting from noncompliance with this rule.

20. Canvassing, soliciting and distribution of handbills or any other written material, and peddling in the Building are prohibited, and each tenant shall cooperate to prevent same.

21. Landlord reserves the right to exclude or expel from the Building any person who, in Landlord's judgment, is intoxicated or under the influence of liquor or drugs or who is in violation of any of the Rules and Regulations of the Building.

22. Tenant shall store all its trash and garbage within its Premises. Tenant shall not place in any trash box or receptacle any material which cannot be disposed of in the ordinary and customary manner of trash and garbage disposal. All garbage and refuse disposal shall be made in accordance with directions issued from time to time by Landlord.

23. The Premises shall not be used for the storage of merchandise held for sale to the general public, or for lodging or manufacturing of any kind, nor shall the Premises be used for any

improper, immoral or objectionable purpose. No cooking shall be done or permitted by any tenant on the Premises, except that use by Tenant of Underwriters' Laboratory-approved equipment for brewing coffee, tea, hot chocolate and similar beverages shall be permitted, and the use of a microwave shall be permitted, provided that such equipment and use is in accordance with all applicable federal, state, county and city laws, codes, ordinances, rules and regulations.

24. Tenant shall not use in any space or in the public halls of the Building any hand trucks except those equipped with rubber tires and side guards or such other material-handling equipment as Landlord may approve. Tenant shall not bring any other vehicles of any kind into the Building.

25. Without the written consent of Landlord, Tenant shall not use the name of the Building in connection with or in promoting or advertising the business of Tenant except as Tenant's address.

26. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency.

27. Tenant assumes any and all responsibility for protecting its Premises from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to the Premises closed.

28. The requirements of Tenant will be attended to only upon appropriate application to the office of the Building by an authorized individual. Employees of Landlord shall not perform any work or do anything outside of their regular duties unless under special instructions from Landlord, and no employee of Landlord will admit any person (Tenant or otherwise) to any office without specific instructions from Landlord.

29. Tenant shall not park its vehicles in any parking areas designated by Landlord as areas for parking by visitors to the Building. Tenant shall not leave vehicles in the Building parking areas overnight nor park any vehicles in the Building parking areas other than automobiles, motorcycles, motor-driven or non-motor driven bicycles or four-wheeled trucks. Landlord may, in its sole discretion, designate separate areas for bicycles and motorcycles.

30. Tenant shall move in and out of the Premises, and have the use of the Building elevators for such purpose, only on weekends or holidays, and not during normal business hours.

31. Landlord may waive any one or more of these Rules and Regulations for the benefit of Tenant or any other tenant, but no such wavier by Landlord shall be construed as a waiver of such

Rules and Regulations in favor of Tenant or any other tenant, nor prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all of the tenants of the Building.

32. These Rules and Regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements and conditions of any lease of premises in the Building.

33. Landlord reserves the right to make such other and reasonable Rules and Regulations as, in its judgment, may from time to time be needed for safety and security, for care and cleanliness of the Building and for the preservation of good order therein. Tenant agrees to abide by all such Rules and Regulations hereinabove stated and any additional rules and regulations which are adopted.

34. Tenant shall be responsible for the observance of all of the foregoing rules by Tenant's employees, agents, clients, customers, invitees and guests.

35. Landlord has the right to enact and enforce any and all smoking ordinances determined by Landlord to be desirable for the operation of the Building which may include but not be limited to limiting the number of persons smoking at any one time.

36. Tenant, its employees, invitees, agents and representatives shall not loiter, congregate, cause any nuisance to any other tenant in the Building, or members of the public, in the common areas of the Building (or Project). Landlord reserves the right to designate a particular portion of the common area as the sole area of the Project in which Tenant or its employees, invitees, agents and representatives may take any specified working breaks.

37. Any failure by Tenant, its agents, employees of invitees to comply with the provisions of this Exhibit "F" shall, subject to Section 26 of the Lease, be an event of default and allow Landlord to terminate the Lease.

EXHIBIT "F"

Sign Criteria

EXHIBIT "F"

ONE LAKESHORE CENTRE

SIGN CRITERIA

Interior Tenant I.D. Sign Specifications:

Cut dimensional numbers and letters mounted to Tenant door with silicone adhesive

Material: .032 polished aluminum laminated to 1/4" black acrylic

Letter/Number Height: 2"

Type Style: Optima regular caps

Location: 4" left margin
All copy flush left
72" from ground to top of suite number

Landlord to order

Tenant to pay all costs of fabrication and installation

Monument Signage Criteria:

Monument Size: 8' x 4'

Number of Tenant Spaces: 6

Size of Tenant Spaces: 3'3" x 6", or 234 square inches with tenant name centered

Spacing: 6" clearance from top and outsides; 3" from each other

Letter Style: Optima regular (deviation from standard or use of logos shall be approved by Landlord)

Maximum Individual Letter Height: 4"

Letter Thickness: 1/4"

Material: Chrome finish or polished stainless steel

Application: Epoxy

Landlord to order and pay all costs of fabrication and installation

EXHIBIT "D"
WORK LETTER AGREEMENT
(IMPROVEMENT ALLOWANCE)

Gentlemen:

You (hereinafter called "Tenant") and we (hereinafter called 'Landlord") are executing simultaneously with this work letter agreement ("Work Letter"), a written lease (the "Lease") covering those certain premises more particularly described in Exhibit "B" to the Lease (hereinafter referred to as "Premises").

In consideration of Tenant entering into the Lease, and in consideration of the mutual covenants hereinafter contained, Landlord and Tenant mutually agree as follows:

1. Appointment of Representatives.

Landlord hereby appoints Jack Stouse (619) 535-2700 of Centremark as Landlord's representative ("Landlord's Representative") to act for Landlord in all matters covered by the Work Letter. Tenant appoints Kevin Higgins (714) 941-3430 as Tenant's representative ("Tenant's Representative") to act for Tenant in all matters covered by the Work Letter. All inquiries, requests, instructions, authorizations and other communications with respect to the matters covered by this Work Letter will be made to Landlord's Representative or Tenant's Representative, as the case may be. Tenant will not make any inquiries of or requests to, and will not give any instructions or authorizations to any other employee of agent of Landlord, including Landlord's architect, engineers and contractors or any of their agents or employees with regard to matters covered by this Work Letter. Either Landlord or Tenant may change its representative at any time by written notice to the other.

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(b) If Tenant selects interior finish items such as wall paint or coverings, fixtures, and carpeting other than Landlord's Building Standard items (a copy of a list of which Building Standard items is attached as Exhibit 1 to this Work Letter), Tenant shall notify Landlord of all such selections in writing within five (5) business days after the approved Preliminary Plans are delivered to Landlord. Whether and the extent to which any of the Leasehold Improvements constitute Non-Building Standard Work shall be determined by Landlord's space planner, which determination shall be conclusive.

(c) All plans, specifications and drawings referred to in this Section 2 are subject to Landlord's approval, which approval shall not be unreasonably withheld or delayed.

(d) Landlord shall ensure that the plans and specifications for the Leasehold Improvements shall not be in conflict with the building codes for the city in which the Premises are located or with insurance regulations for a fire resistive Class A building. All plans and specifications shall be in a form satisfactory to appropriate governmental authorities responsible for issuing permits and licenses required for construction, and Landlord shall be responsible therefor. Landlord shall obtain all necessary permits and licenses required for construction.

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(a) Tenant's failure to approve or finish its space plans and specifications by the times specified in Section 2 above;

(b) Delays of any nature, whether or not within Tenant's control, resulting from Tenant's decision to use any materials, finishes or installations other than Building Standard;

(c) Tenant's changes in its space plans and specifications after approval and delivery of same to Landlord;

(d) A delay in performance as a result of Tenant's failure to approve written estimates of the costs of the Leasehold improvements or substituted materials in accordance with Section 2 hereof;

(e) Changes in the work requested by or on behalf of Tenant or orders to halt or delay the work by or on behalf of Tenant; or

(f) Any other delay of any kind or nature caused by Tenant, its employees, agents or contractors, then the term of the Lease hall commence on the date the Leasehold Improvements would have been completed but for such delay, regardless of any contrary provisions of the Lease.

7. Responsibility for Design.

Tenant will be responsible for the design, function and maintenance of all improvements which are not made in connection with this Work Letter, whether or not approved by Landlord or installed by Landlord at Tenant's request. Landlord's preparation of the Tenant working drawings will not constitute any representation or warranty as to the adequacy, efficiency, performance or desirability of any space layout or improvements.

LANDLORD:

Ontario Lakeshore Partners, L.P.,
a California limited partnership

By: Centremark, a California general partnership,
general partner

By: Cruz Properties, Inc., a California corporation,
general partner

By: _____
Dennis S. Cruzan, President

By: Structural Equities, Inc., a California
corporation, general partner

By: _____
Steven L. Black, President

ACCEPTED:

TENANT:

Curaflex Health Services, Inc.,
a Delaware corporation

By: _____

Its: _____

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